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THE FOREIGN TRADE OF CANADA

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THE FOREIGN TRADE OF CANADA

By

HENRY LAUREYS

Doctor of Economic and Commercial Science of the University of Louvain, Doctor of Economic, Social and Political Science of the University of Montreal, Dean of the School of Higher Commercial Studies of Montreal.

TRANSLATED FROM THE FRENCH EDITION BY

H. A. INNIS, PH.D.

Associate Professor at the Department of Political Science of the University of Toronto,

AND

ALEXANDER H. SMITH, M.A.

Head of the English Department at the School of Higher Commercial Studies of Montreal.

WITH A PREFACE BY

STEPHEN LEACOCK, Ph.D., Litt.D., LL.D.

Professor of Political Economy at McGill University.

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PREFACE

THOSE who have had the pleasure of knowing Dr. Henry Laureys' work, *La Conquête des Marchés extérieurs*, in the original French edition, will welcome its appearance in an English translation.

Dr. Laureys has here selected a subject of peculiar importance in modern national economy. Export trade, and even export trade on a large scale, is of vital importance to all modern industrial communities. In primitive times and in simpler days this was not so. Each household or at any rate each little community sufficed for itself. Such elementary wants as existed were supplied by the direct labour of the individuals concerned, or with a minimum of exchange largely in the form of barter. Such was the life, for example, of the Dutch Boers in South Africa or of the pioneer settlers of Canada. But such a life while socially fortunate was economically restricted. No great accumulation of national wealth, no great saving of labour, no great mechanical advance was possible. For that a wider field and a more extended economy was essential.

It would be conceivable in theory at least that a large industrial nation could live with practically no export trade. If its resources were so evenly balanced, and its population so evenly distributed among the various branches of production that all the wants of every part of the nation were supplied by some other part of it, and that as readily and as cheaply as from the outside world, there would be but little basis for export trade. Yet even in such a case a certain amount of export trade might exist

as representing a disposable surplus of goods sent abroad to correspond to investment of capital in foreign countries.

In actual fact, however, the development of any national economy is never so uniform and so regular as this. Certain branches of national production assume an overwhelming importance ; initial advantages and special resources for the production of certain goods invite and even compel an extensive foreign trade as the essential condition of domestic progress.

Such is preëminently the case with Canada. Our potentiality for raising wheat, for example, is far in advance of our domestic ability to consume it. Our manufacturing interests, though mainly supported by the home consumer, need also the foreign market for their additional support. Into the intricate questions which thus arise as to export prices and home prices, export balances and the exchanges, it is not possible here to enter. The reader may be safely left to the competent guidance of Dr. Laureys.

But export trade, as the author shows us, will not come of itself. We can no longer trust to the unaided forces of individual buying and selling : the *laissez faire* of Smith and Ricardo must be replaced by an active and fostering encouragement. In the present work Dr. Laureys discusses the various systems whereby a proper and legitimate stimulation of exports may be achieved.

Dr. Laureys, it may be added, comes well-equipped to his task. Born in Belgium, he carried on his studies at the Université of Louvain, receiving his licentiate in 1906. For some years he was attached as an instructor to the Belgian naval training ship "L'Avenir", in which he made several voyages around the world, studying the economics of various countries and of North and South America in particular. He came to Canada in 1911, accepted a professorship in the *Ecole des Hautes Etudes Commerciales* of

Montreal and in 1916 was appointed director of that institution.

His various articles on economic questions in current journals were followed by his *Conquête des Marchés extérieurs* which obtained the David prize in 1927. Dr. Laureys is the holder of a number of degrees and distinctions. He holds the degree of Doctor of Economic Science from the University of Montreal and a similar honorary degree from his own University of Louvain. His merits have been further recognized by the award of the Legion of Honour from France, and the Belgian Order of the Crown.

But his principal claim to present recognition will rest upon this book itself.

STEPHEN LEACOCK.

McGill University
1929.

FOREWORD

THE argument which has been developed by Dr. Laureys in *La Conquête des Marchés extérieurs* (Montreal, 1926) runs to the effect that Canada has an inadequate external marketing organization and that foreign trade in manufactured products from Canada will not become important until this organization has been provided.

The question may arise, and indeed Dr. Laureys has suggested it, as to why Canada should be more interested in foreign trade when she is already one of the foremost trading countries of the world. A more elaborate answer than Dr. Laureys has given, since he has generally assumed that the answer is obvious, may not be out of place by way of introduction to the volume. As he has pointed out, Canada is primarily an exporter of bulk raw materials or semi-manufactured products to highly industrialized countries in the shape of food-stuffs, wheat and fish; building materials,—lumber, gypsum, asbestos and industrial materials—pulp and paper and minerals. These bulky materials require heavy mass production equipment, whether it is in the form of railroads, ships, elevators, paper mills, power plants, mining and milling equipment, and consequently the import trade of Canada has been largely dependent on the introduction of capital in these forms. They in turn involve heavy overhead costs accentuated by seasonal changes, incidental to a north temperate climate and to the exploitation of natural resources.

Wheat, for example, involves heavy peak load costs both seasonal and secular in railroads and railroad equipment, elevators and steamships. Mining is essentially an industry involving extensive outlays of capital in mines and mills, as well as peak load costs incidental to the peculiarities of the ore bodies and a heavy one-way traffic. Lumbering and especially pulp and paper assume heavy capital equipment in plants, railroads and other facilities and varying costs attendant on the exhaustion of less remote supplies of raw material. Fishing has also come to an increasing extent under the sway of machine industry; and peak load costs incidental to exploitation are in evidence, notably in British Columbia. The exploitation of natural resources and the heavy one-way traffic characteristic of countries producing bulk raw materials involve heavy overhead costs.

Various attempts are being made to cut down overhead costs by eliminating peak loads. The technique of pulp and paper plants is being adapted to climatic changes by methods varying from the use of hot ponds for thawing pulp wood in winter to the utilization of jack pine following the decline in less remote supplies of spruce. Lumber mills and pulp and paper mills have resorted to the use of logging railways. Railways attempt, through the tariff and otherwise, to develop an east-west haul, to encourage mines and industries, and to promote immigration. The farmer has resorted to mixed farming and winter dairying. Not only the mines themselves with their varied equipment, but also the mining towns, power plants and other developments depending on mining are faced with the serious problem of depreciation. These attempted adjustments involve the speeding up of plant and equipment and in many ways accentuate the problems they are expected to solve.

Canadians may protect themselves by government legislation with regard to the fisheries and the forests. The

government may contribute to a solution of the problem by acquiring the railroads [1], by encouraging immigration, by a tariff favouring an east-west haul and by various means from the support of research work to the protection of natural resources, by fire protection and by coöperation with the pulp and paper mills in restricting production. But important as many of these efforts are, they also accentuate the problems they are expected to solve. No matter how much immigration may help to settle the problems of the railway and steamship companies, it is of little avail to other industries which, through the increasing use of machinery, are able to dispense with labour to an increasing extent[2]. The surplus labour may contribute to lower costs of operation, but this will not offset the enormous wastes incidental to the displacement of skilled native population forced to go to the United States in the face of unskilled competition from England and Europe. The tariff and all its works mean little to an industry supplying a small and scattered population. Research work means little if it refers only to lowering costs of production and increasing output at the expense of our already rapidly disappearing raw materials. Legislation for the protection of natural resources is apt to have comparatively little influence under these circumstances.

Dr. Laureys has suggested a key which promises to some extent to solve all these problems. The heavy overhead

[1] The peak load costs, as a result of the War, of the government railroads came at an inopportune period in the secular trend, with the result that the government was required to purchase them. The Canadian Pacific, however, was fortunately at the top of the secular trend—*e.g.*, the long run effects of railroad construction in a new country were shown in increased earnings especially after 1900. The technological trend is, perhaps, a more fortunate term.

[2] See J. E. Lattimer, *Recent Changes in Farm Organization in Western Canada*, and also R. W. Murchie, W. H. Carter, F. J. Dixon's *Seasonal Unemployment.* (Manitoba, 1928.)

costs of our ocean ports, especially Montreal, with its seasonal navigation, and of Vancouver with a heavy one-way traffic of outgoing bulk raw materials, may be appreciably cut down by developing manufacturing in the neighbourhood of those ports, which would in turn permit of an incoming cargo of raw materials and the utilization of the ample supplies of water power on the St. Lawrence and other rivers flowing to the Atlantic, and on the rivers flowing to the Pacific. Arvida will be only the beginning. The development of industries in the neighbourhood of the ports will encourage an active increase in population serving to absorb immigration as well as a natural increase of native population, and, above all, the latter. The development of these industries will draw off the energy at present being concentrated on the exhaustion of our natural resources and will encourage industries which will use the various by-products of our staple production. Research work may then be directed to eliminating the terrific waste which at present accompanies mass production of staple products, and to utilizing by-products. The effects are too obvious to warrant elaboration.

It is not necessary to reinforce Dr. Laureys' arguments as to how all this is to be brought about. It is sufficient to say that he is interested in rounding out Canada's industrial structure, and building up on the foundation laid down in our staple industries a superstructure of tremendous importance to Canadian development. Politically we have acquired our own autonomy, but economically we are subject to, and dependent on, the fluctuations of highly industrial countries consuming our basic raw materials, and to the competition of other countries producing the same raw materials. We may remedy this situation in part by such organization as the wheat pool, pulp and paper cartels, conservation measures and legislation, but

we ought not to neglect the way out suggested by Dr. Laureys. The development of foreign trade, of imports as well as exports, would not only provide the advantages outlined, by tying in our basic industries so as to afford a greater variety of finished products, but they would also add to this closer integration of our basic industries, imports of raw materials from other countries, and afford an even wider basis for successful export trade. The advantages to Canada in giving a wider outlook and improving her cultural background need only to be mentioned to be appreciated.

It is quite possible that numerous objections may be raised to the various points suggested by Dr. Laureys, and I do not subscribe to all the individual points as such. But the chief purpose of the volume, which has received such a warm reception in the French edition, is to interest Canadians in the importance of foreign trade. If through the arguments of the volume, the federal government could be persuaded to appoint a commission to consider ways and means of extending foreign trade, the reward would be ample. It will become increasingly difficult for the government to explain the retardation of industry which follows an effective tariff on capital goods. If the production of goods is hampered by the tariff, the government may be expected to make amends by using a larger portion of the revenue acquired from the tariff to develop a market for the goods produced under these discouraging circumstances.

I wish to thank Dr. Laureys for his help and encouragement to myself and my colleague in the work of translation. At every stage we have had the benefit of his co-operation. The method adopted in carrying out the task of preparing for the English reader an adequate rendering of the French original has been that of collaboration. I have held myself

mainly responsible for a correct interpretation of the economic material and Mr. Smith has been mainly concerned with the style. In my portion of the work I have had the advantage of assistance from Mr. W. K. Gibb.

We are aware that, as translators, we have sometimes come short of our ideal. Our enthusiastic interest in making the work available to English Canadians has, however, been allowed to overcome our consciousness of the difficulties involved in translating from the French a work of an economic nature. Happily, the present volume is more than a translation. The author has added much valuable material, and has brought the statistics down to date. We have done our best to adapt the book to the English reader, and in helping us to achieve this purpose, Dr. Laureys has responded with the greatest possible liberality to every suggestion we have made.

H. A. INNIS.

CHAPTER I

GENERAL PRINCIPLES OF INTERNATIONAL TRADE

INTERNATIONAL trade means the exchange of goods between countries. The term includes both exportation and importation, two operations which are intimately connected, although the connection between them may not be immediately apparent. These operations do not, of course, take place directly between nations as such. The transactions are made by individuals who often do not even know one another. The exporter of grain from Canada, for example, is not in any direct sort of communication with his fellow-countrymen who import woollens from England or silks from France. There is, all the same, a real link between exportation and importation which must be clearly understood. The key to this understanding is to be found in the fact that, theoretically, all transactions with a foreign country are paid for in gold. It follows, then, that a country which exported only would attract to itself a surplus of gold. Conversely, a country which imported only would have to complete its transactions by sending precious metal abroad. In practice, however, neither of these things happens, because all countries import as well as export. This permits the wiping out of debts on either side by the exchange of goods or their modern equivalents—bills of exchange drawn on the purchaser.

It is not proposed to consider here the mechanism of these payments, but it is necessary to keep these points in mind in order to understand how an excess of either importation or exportation reacts on the economic situation of a country.

The relation between imports and exports may be shown by a study of trade statistics. Whenever a country increases its exports, we find a tendency for its imports to increase. Its people—manufacturers, traders and workers —have at their disposal an increasing quantity of the means of exchange. They will therefore tend to purchase more goods, often of greater value, from abroad [1]. When a country's imports increase much more rapidly than its exports, it will export specie. Money begins to get scarce, and this brings about a fall in prices in the country. This, in turn, checks the quantity of importations, which have become too dear. On the other hand, the fall in prices leads foreign countries to purchase more, and thus results an increase in exportation. The rate of exchange, in its fluctuations, tends also to bring to an equilibrium the purchases from and sales to foreign countries. In general, high prices caused by an excess of exports tend to increase imports, whereas a high rate of exchange provoked by an excess of imports causes an increase of exports. Automatically, therefore, the balance of accounts returns to a position of equilibrium [2]. This is what Ricardo means

[1] The latest trade statistics (March, 1928) confirm this by showing a considerable increase of imports during the year. The total imports in 1928 surpassed those of 1927 by $78,063,961, while exports, which up to 1926 increased to a much smaller extent were, in 1928, $23,949,900 lower than in the preceding year. For a thorough analysis of the trade situation in Canada from 1900 to 1913, see J. Viner, *Canada's Balance of International Indebtedness.* (Cambridge, 1924.)

[2] See F. W. Taussig, *International Trade* (New York, 1927) and J. W. Angell, *The Theory of International Prices* (Cambridge, 1926), for a thorough discussion of the whole problem. For a short summary, see also R. M. MacIver, *Principles of International Trade, Foreign Trade Principles and Methods,* pp. 23-28 (Toronto, 1924). See also a recent interesting article concerning the international movement of productive factors, entitled, "Theory of International Trade Reconsidered", by John H. Williams, *The Economic Journal,* No. 154, vol. xxxix, London, June, 1929.

when he says that "international trade always tends to take the form of barter". In other words, the goods of one country are exchanged against the goods, services or other return transactions of whatever kind made by another country, and, consequently, all substantial increases of imports are followed shortly afterwards by a corresponding increase of exports.

Reciprocally, if imports decrease, as for instance under the influence of a strong protective tariff, exports tend to decrease in the same proportion. It is therefore not true, as is often stated, that a country can increase its exports continuously without also purchasing from abroad. It is even less true that it can continually purchase from outside without exporting anything. A recent illustration of the intimate relationship existing between purchases from and sales to a foreign country is afforded by the United States, which has attempted to withdraw commercially from the rest of the world by raising insuperable customs barriers. It has succeeded in diminishing its imports to a certain extent, but its exports have followed the same downward trend.

It is evident that certain countries for some years past have had to increase the export of their manufactures as a condition of their very existence, but this does not mean that these countries do not purchase from abroad large quantities of other goods—raw materials, foodstuffs, or even manufactured articles. It is clear that certain basic causes, often scarcely apparent at first sight, must, apart from the question of commercial competition and increase in markets, explain the exchange of goods between all nations from the time when they first knew one another and set up means of communication. First under the

form of barter, then gradually by a system of exchange much more simple—by means of money and of various methods of international settlements—nations have attempted to purchase from their neighbours the goods they need, by selling goods of which they produce a surplus. The commercial interdependence of all nations is too well known today to require further emphasis here. A country, no matter how wealthy in raw materials, cannot live independently of others. If it wishes to sell its manufactured goods to other countries, it must in return supply from them its own needs. The main point is to avoid excess in either purchases or sales. A wise commercial policy carefully adapted to the requirements of each country is therefore a matter of prime importance and forms the most certain guarantee of economic stability. This inescapable economic law forms the basis of all trade relations between nations. To disregard it, therefore, is to attempt the impossible.

The antiquity of commercial relations between nations is in itself a sufficient proof of their absolute necessity. According to Colson [3], "international trade developed chiefly at two periods : in the fifteenth century when the invention of the compass and the improvement of navigation made possible the discovery of America and communication by sea with the Indies and the Far East; and in the nineteenth century, in consequence of the marked decline in transportation costs resulting from improved facilities and shorter voyages. Communication facilities have developed traffic by their influence on prices and on the tastes of the public."

But long before these two periods mentioned above, nations exchanged their products. The Egyptians, for example, carried on an important trade by caravans with

[3] C. Colson, *Cours d'économie politique*, vol. IV, p. 259, (Paris, 1903).

Chaldea and the Orient; Phoenician navigators and the Greeks traded and established factories on the shores of the Mediterranean. In the Middle Ages, the great fairs organized in certain cities of Europe, to which came merchants from all parts, acted as an important stimulus to trade between foreign countries. It was only, however, after the sixteenth century, as a result of the maritime and colonial progress which took place in several European countries, that trade with distant lands became important. When men began to explore the world, great movements of migration transformed vast unknown continents into purchasing countries, and these in their turn soon became exporting countries. The spread of civilization increased and diversified the needs of all nations and when, finally, as a consequence of great discoveries the means of communication between countries became easier, safer and cheaper, trade became international. Commercial relations between all nations became so interrelated that to-day no nation can cut itself off commercially from others without creating profound disturbances in the economic conditions of the rest of the world. The recent maladjustments following the World War and the voluntary isolation of Soviet Russia are excellent examples. International trade, then, reveals itself as one of the indispensable conditions of economic life. It merits the careful consideration of every nation which has its future welfare at heart.

This present study is concerned only with the exchange of goods, that is, with international trade properly so called, but it is useful to note that certain other considerations inevitably arise. If one wishes for instance, to understand exactly the financial situation existing between two countries, it is necessary to establish what is called the balance of accounts and not merely the balance of trade to which many people attach a somewhat exaggerated importance.

The balance of trade, as generally accepted, signifies the difference between the value of imports and the value of exports of a particular country expressed in terms of its own money. The figures are chiefly obtained from trade statistics. We are accustomed to use the expressions favourable and unfavourable balance[4] in spite of the fact that the doctrines of the bullionists and the mercantilists responsible for them have long since fallen into disfavour. These doctrines held as a principle, although in different degrees, that the precious metals (gold and silver) being the essential basis of wealth, and permitting the purchase of all goods, it is to the interest of all countries to attract to themselves the greatest possible quantity of these metals. An excess of exports, according to believers in these theories, must always provoke an influx of metallic money, making a favourable balance of trade; and, conversely, an excess of imports must result in an export of gold or silver, making an unfavourable balance of trade. Many economists have demonstrated the weakness of these theories. Colson writes : "What adds to the wealth of a country is not what is exported, but what is imported. When it is contended, against all truth, that the introduction of large quantities of gold is the best means of enriching a country, it is further necessary, in order to justify the mercantilist system, to prove that the export of goods has as its counterpart the import of gold, which is by no means evident." It is true, however, that the mercantilists, who did not attach so much importance to specie as the bullionists who inspired their views, proposed the restriction of importation of foreign goods and the creation of national industries by means of raising the customs duties. They were, therefore, the initiators of protectionism as we understand it to-

[4] The following expressions are more frequently used today and appear to be much more accurate ; active trade balance (exports higher than imports), passive trade balance (imports higher than exports).

day. Colbert, in France, and Cromwell, in England, were among the first to apply this system.

But the balance of trade does not indicate the real position of a country. If one wishes to ascertain the actual balance of a nation it is necessary not only to take into consideration the exchanges of goods made, but also to estimate as exactly as possible the less visible elements which modify the trade balance and are not registered in statistics—for example, interest paid to foreign countries or interest paid by other countries on loans made to them, freights, commissions of bankers and other agents, expenses of tourists [5], settlers' effects and belongings. These items are often so important as to change completely the comparative position of countries as shown by their trade balances.

Therefore, to determine the balance of accounts, or more exactly, the balance of the credits and debits of one nation in relation to another, we must establish a table similar to that of Nogaro [6] in his treatise on political economy, as follows :

[5] The Department of Commerce at Washington estimated that in 1925 American tourists spent in Europe more than $500,000,000 and in Canada about $190,000,000. In 1928 all the provinces of Canada declared that receipts from tourists were higher than ever, and the Dominion Bureau of Statistics estimated the sum spent in the country by tourists was over $250,000,000. Expenditures by Canadian tourists in other countries fell off slightly according to the calculation. Comparative figures were : 1928, $103,245,400 ; 1927, $103,782,000. In 1927, Washington admitted that American citizens had spent in that year as tourists in foreign countries more than $760,000,000, of which $200,000,000 was spent in Canada. Although these figures are approximate only, one can see to what gigantic sums certain of the "invisible items" may be raised, and consequently how greatly the balance of accounts of a country may differ from the trade balance.

[6] Adapted from B. Nogaro, *Traité éleméntaire d'économie politique* p. 280, (Paris, 1921). See also various English and American texts in economics.

Credits.	Debits.
(1) Merchandise sold.	(1) Merchandise purchased.
(2) Freights to be paid by foreign countries.	(2) Freights paid to foreign concerns.
(3) Commissions received.	(3) Commissions paid.
(4) Loans and investments made by foreign countries.	(4) Loans and investments made abroad.
(5) Interests or dividends received.	(5) Interests or dividends paid.
(6) Savings of emigrants in foreign lands remitted to the home country.	(6) Savings of immigrants remitted to their native countries.
(7) Returns from business conducted in this country by foreigners.	(7) Returns from business conducted in foreign countries by citizens of this country.

We must be cautious, then, in drawing conclusions relating to the economic situation of a country from an examination of the trade balance. Before the War, France, England, and Germany frequently had unfavourable balances but were actually the creditors of the rest of the world. In Canada we have a favourable trade balance which increased from 6 millions in 1922 to over 401millions in 1926[7]; but in return we transfer annually hundreds of millions of dollars to foreign countries in interest on Canadian securities held by English, American, and other investors, as well as dividends to shareholders of foreign corporations operating in Canada. It is, however, true that our large exportation of agricultural products during recent years has been the principal means of balancing our national budget. The immediate result of this is shown in the re-establishment of the rate of the Canadian dollar to the American dollar at par, and, at certain periods, slightly above it.

In fact, it is an exaggeration to measure the economic activity of a nation by its foreign trade per head, an item which depends essentially on political subdivisions. Each

[7] In 1928, the trade balance favourable to Canada, although diminished, reached a total of $141,499,831.

nation demands from abroad quantities of goods varying in proportion to the extent of its territory and to the variety of its own productions. A superficial examination of statistics may lead to totally false conclusions, and it is unfortunate that such use of them is frequently made. Even the *Canada Year Book*[8] has followed the rule of classifying countries on the basis of their external trade per capita. Canada is given the sixth place[9] after New Zealand, Switzerland, Holland, Australia, and Denmark—the United States occupying the thirteenth place. Other countries considerably more developed economically than Canada are placed far below her. It is obvious that classification of this sort leads to confusion. In the case of Canada, the volume and value of whose exports depend in great measure on the success of the harvests, these figures and percentages vary considerably from year to year.

The exchange of goods between nations can be traced to certain causes, and operates according to certain economic laws. International trade, just like domestic trade, is carried on between individuals, both of whom—buyer as well as seller—attempt to make a good bargain and so realize a profit. Nations also, whether they be guided by the economic theories of free trade or protection, consider that they must import more than is purchased from them or sell more than they import. Without entering here into a detailed examination of the two theories on which all states base their commercial policies, it is necessary to consider what are the respective advantages, in the case of any country, of exports and imports and also of the principal movements which, in our own time, have determined these

[8] *Canada Year Book*, 1928, p. 491.

[9] Canada ranks sixth as exporter and eighth as importer.

exchanges. All treatises on political economy mention the advantages of foreign trade.

Let us summarize what Gide [10] says about them :

Advantages of Exports :

1. Exports, more than imports, favour the political expansion of a country. Imports are the non-aggressive form of trade, whereas exports are the aggressive form. Greater initiative, a more highly developed commercial sense, are required to find new markets than to import goods; just as in the case of individuals it is harder to sell than to buy. The export of goods, therefore, is a form of propaganda.
2. By exportation a country can develop national industry not only in the form of increasing the number of its customers but especially by permitting an extension of the division of labour, and by integration and consequently by reducing the costs of production.
3. Exports permit the utilization of certain forms of natural wealth which would otherwise not be exploited.
4. Exports can be used to make gold return to a country when it is needed, due notice being taken in this matter of the fact mentioned above that mercantilists attach an exaggerated importance to this result.

Advantages of Imports :

1. It is advantageous to be able to import all the products which a country needs and which, by reason of climatic conditions or otherwise, it cannot produce.
2. Even in the case of articles which a country can produce, it may happen that, owing to density of population, it cannot produce them in sufficient quantities and so must import the rest.
3. Imports are also advantageous when they bring in goods which the importing country could produce only with greater difficulty and at higher cost than the country of origin.
4. Imports are advantageous even when they bring in goods which can be produced by the importing

[10] C. Gide, *Cours d'économie politique*, vol. II, pp. 19, ff. (Paris, 1920).

country more cheaply than by the country of origin, if these imports permit the importing country to concentrate on producing goods from which it gains even greater advantage—an example of the well-known law of comparative advantage.

The exchange of goods results from two principal causes : the difference which exists between countries in the matter of natural fitness for production; and the difference in the degree of their economic, industrial, and social development. As an example of the former, we may mention how tropical countries supply the temperate zones of the world with spices, rubber, textile fibres, fruits, coffee, tea, and other foodstuffs which temperate countries would attempt in vain to produce. As an example of the latter, we may cite the sale of cereals produced in agricultural countries such as Canada to industrial countries such as England, Belgium and Germany; or of wool produced in the Argentine shipped to the United States and to European countries where the textile industry has developed. Besides this, manufacturing countries, which very often depend on foreign sources for their supply of raw material, sell abroad the products of their industries.

These general causes are evidently subject to numerous exceptions arising from special manufacturing conditions, rates of wages and other factors which determine the amount of trade between one country and another. If there are no examples of countries attempting to harvest what their climate or the geological constituents of their soil will not allow them to produce, there are numerous examples of countries trading goods similar to their own national products with those of other countries merely because of differences in price or in quality. Canada, for example, exports several kinds of preserved foods and imports other kinds from France, England, the United States and else-

where. She sells newsprint to the United States and England, but these countries supply her in part with writing and printing paper; France sells woven stuffs to England and buys such goods from her; the United States exports automobiles to the whole world and at the same time purchases cars from England and Italy. This state of things has given rise to a notion which is sufficiently crude to be easily propagated among the mass of the people —the fear that home industries will be destroyed because of the competition they have to face from the products of other countries where low wages prevail. In Canada as well as in the United States this argument never fails the advocates of an exaggerated protectionist policy. But if this sort of competition is real enough in the case of certain goods, it does not genuinely exist in the case of the greater number. Otherwise, how can one explain that countries such as the United States, where high wages prevail, are none the less great exporters of manufactured goods even to countries where workmen are very poorly paid ? Moreover, industries which dread such competition have not reached the exportation stage. Protected by high duties, they could cope with the domestic market to the detriment of the foreign product which would find itself excluded, whereas they could not sell abroad in the open markets of the world in competition with these same countries[11].

[11] During the discussions in the Senate at Washington concerning the new Hoover tariff, Senator Reed of Pennsylvania, who might be considered a high priest of protection, said lately (June, 1929) that some of the largest manufacturers in the United States are not dependent upon the tariff and that it is doubtful if the tariff is needed or even desired by the automobile manufacturers. Some of them had stated that the duties upon their products did them no good in the domestic market and handicapped them in their export trade. Probably a number of manufacturers could be named who did not fear foreign invasion of the home market, but were more and more anxious to compete for export trade.

As Gide[12] well points out : "All industries which are in a position to export prove by that fact that they have no further need of protection, that they are emancipated, that they can export and travel alone through the world, that they have grown up from the rank of a national to that of an international industry".

It is evident that Canada should, to a reasonable extent, protect her industries by a customs barrier wisely applied to each product. All new countries on the road to industrialization are in this position, especially if they wish to develop their industries rapidly. Such relatively high customs duties are, then, a necessity, at least for a certain number of years. But an industry well established and normally developed, ought, in a sparsely-populated country such as ours, to be able to export. In order to accomplish this, costs of production must permit competition with other countries. It is therefore necessary that manufacturers should rely on other means than protective tariffs to lower the cost of their products. In Canada, those who have concerned themselves with these questions but have studied them only in a superficial way, use as their stock argument the example provided by the prodigious industrial development of our neighbour the United States. With very high wages and exceedingly high protective tariffs, that country has succeeded in creating enormous industries whose exports amount to billions of dollars annually. Advocates of protection demand with insistence the application of similar measures to Canada, maintaining that we should obtain identical results. But to compare the United States and Canada in this way is quite inexact. Similar tariff measures in Canada might prove ruinous, and would most likely prevent the development of the very industries they sought to aid. The United States has a population of about 120,000,000 spread over 48 states and

[12] C. Gide, *op. cit*, vol. II, p. 20.

territories between which no customs barriers exist. The customers in the interior of this vast country are in themselves sufficient to keep American industries going. They have made possible the manufacture, in very large quantities, of articles of which the cost of production, in spite of the dearness of labour, continually declines. This places the United States in an excellent position where exports are concerned. In our own case, our home market is limited to about ten million people. If, therefore, our industries cannot export—and this they can only do if they are not too highly protected—it will be impossible for them to make any progress. For years to come they must be content to serve the home market. This is the problem with which Canada is faced, and which our economists and legislators must solve without delay. It would be better to develop our industries on more scientific lines and search abroad for the markets which fail us at home, than to renounce all progress under the guise of an exaggerated protection from which certain manufacturers alone would benefit.

Two English engineers [13] who travelled extensively in the United States and investigated its development have published the results of their inquiry in a little work of the greatest interest. Their conclusions attribute the industrial success of the Americans to purely technical causes of organization such as the excellence of administration in large businesses and the promotion of employees by merit alone; the small profits per unit, but enormous production increasing the total profit; unlimited production by labourers whose wages are raised as high as possible and proportionately to returns; the utilization of by-products,

[13] B. Austin and W. F. Lloyd, *The Secret of High Wages* (London, 1926). See also H. G. Adam, *An Australian looks at America* (London, 1928).

the organization of scientific research—and so on. These are the principles which must guide us in Canada also [14]. By adapting such methods to our national production we shall be more sure of success than by servile imitation of Americans in a certain economic theory—one which, in the particular circumstances of the development of their country might be advantageous to them, but which, in our case, might lead to disaster. Undoubtedly in the industrial domain the Americans are our masters, and we should take every advantage of their experience and profit by their example. However, it is necessary that economic problems so complex as those which confront us should be studied from every standpoint, and that we should avoid all comparisons lightly made between the two nations merely because we happen to live on the same continent and so at first glance there seem to be certain points of similarity between our economic development and theirs. Moreover, our present commercial and industrial situation should not be compared with that of the United States at the time when they had the same population as Canada

[14] It appears that in Canada we are becoming more and more convinced of this necessity. It was with satisfaction that our manufacturers learned from the Hon. C. Stewart, Minister of the Interior, when at the convention of the Pulp and Paper Makers' Association, held at Montreal in 1926, that the federal government intended to create at Ottawa an institute of scientific research and to aid Canadian universities in developing in all parts of the country laboratories of this character, to be placed at the service of industry. What progress will be realized from these organizations ! We note in passing that the Association addressed by the Minister has not waited for official aid to create, through the financial cooperation of its members, an Institute of Research for the wood and cellulose industries. The latter have built on a site belonging to McGill University at Montreal a new laboratory of which the university has scientific control. Since this statement was made by the Minister of the Interior, the federal government has contributed to the cost of this Institute of Research. For a description of the work of the National Research Council, see *The Canada Year Book*, 1927-28, p. 1042. The Ontario Government has also put into operation an extensive programme of research work in which the Government has joined hands with the manufacturers.

has now. The problems which we have to solve are very different from theirs at that period; the whole world has changed. We must find new solutions for these problems. The purpose of this work is to study at least one solution which, methodically applied, should yield most fruitful results.

These preliminary considerations are necessary in order to establish clearly the place which export trade occupies in the economic activities of a country. They place it immediately in the forefront as a question to be carefully studied by all who, for whatever reason, have at heart the development and the economic future of Canada.

CHAPTER II

THE TRADE BALANCE OF CANADA IN 1928 [1]

(*a*) *General Remarks.*

ACCORDING to the latest available statistics, the foreign trade of Canada in 1928 (imports for home consumption and exports of Canadian produce) reached a total of $2,337,164,072. In 1913, that is, before the War, it was only $1,026,961,834. These statistics show a tremendous expansion of foreign trade, notwithstanding any allowance which must be made for the change in the purchasing power of the dollar—an inevitable result of the increased price of all commodities. The rapidity of this growth would not appear so marked if one considered only the volume of trade, and it is unfortunate that this comparison is possible only in the case of certain goods [2]. Again, certain adjustments are necessary, arising out of the unprecedented period of commercial and industrial expansion during the War and, later, the inevitable depression of the post war period. At present, as a result of the intelligent and persistent efforts of all concerned, Canada appears to be gradually emerging from this period of commercial uncertainty. The business stagnation following the War has, however, been as severe and painful as the

[1] The final official figures as to Canada's foreign trade in 1929 only became available while this book was in the press. As, however, they do not in any way affect the argument here given, we thought it sufficient to allow the figures for 1928 to remain.

[2] The Canadian statistics—at least for total trade—give only the values and not the volume of international exchange. It is therefore difficult in periods of monetary crisis and continual variations in price levels to make comparisons between different years.

preceding period from 1914 to 1918 was extraordinarily prosperous. During the war years, export trade reached heights hitherto unknown; in March, 1918, it was more than two and a half billion dollars. After the War, it declined rapidly, and in 1922 had fallen to one and a half billion dollars. Since that date the annual increases have become more and more noticeable, until in 1928 the foreign trade of Canada almost reached again the maximum figure of 1918. It should be noted, as an index of the growing vitality of Canadian trade from the industrial and commercial point of view, that these increases have been due to the export of Canadian products, especially those derived from agriculture [3].

The general causes of the severe fluctuations of the last fifteen years are easily determined. Immediately after the commencement of hostilities in 1914 orders flowed into Canada, and for four years war materials and foodstuffs for the Allies were exported in enormous quantities. Then came the armistice, introducing a period of deflation and commercial instability bad enough to affect the courage of even the boldest traders. As a result, there was not only an immediate stoppage to the export of war materials and metals used in the manufacture of hard steel—nickel, tungsten, and other metals produced in Canada—but also a serious decline in the export of other products. With regard to imports, since Canada purchased chiefly from the United States—where a phenomenal gain of wealth during the War had been accompanied by an all-round rise in prices—the value of these increased so rapidly that in 1921 we imported twice as much as in 1914.

In 1922, however, a considerable decline took place, in imports as well as exports, the total foreign trade being

[3] Imports increased in 1928 to $1,108,956,466 and exports to $1,228,-207,606.

nearly a billion dollars less than in the preceding year. Nor has Canada been spared its share of the crisis which, during the past few years, has prevailed throughout the world. To the causes of the decline in commercial transactions already noted, we must add the depreciation of nearly all European currencies, which, until quite recently, has prevented many countries, customers of Canada, from continuing their purchases. With regard to our commercial relations with the United States, exports have been restricted as a result of the excessive increase of customs duties [4], affecting especially those agricultural products which Canada principally exports; and imports fell also, as a result of the depreciation of the Canadian dollar from 1919 to 1921—it fell as much as 18 per cent.—and the consequent dearness of American goods [5]. In fact, in one year, imports from the United States declined more than three hundred million dollars. However, since Canada depended on the United States for a supply of certain products which were indispensable—anthracite, oil, cotton, etc.—she was forced to continue making important purchases in spite of high prices. Since 1924, however, there has been a general improvement which warrants the prediction of better times to come.

Before considering in detail the foreign trade of Canada, it is interesting to note that from 1915 to 1920 she had a favourable balance of trade, for the first time since 1903[6]. In 1921, the balance was slightly unfavourable; in 1922, it was again in favour of Canada; and in 1928, the exports of Canada surpassed the imports by more than $140,000,-

[4] The Fordney-McCumber tariff of 1921-2. Recent political developments in the United States indicate that under the proposed Hoover tariff further increases may be expected.

[5] At present, the Canadian dollar is often at a premium in the United States.

[6] The balance of trade in Canada was favourable from 1893 to 1903.

000. In 1926 exports were in the lead by $400,000,000. Although we must not attach to this economic phenomenon a greater importance than it deserves, and although in certain countries (France, for example, before 1914) the balance of accounts has been favourable when the balance of trade was unfavourable, we must admit that in the case of Canada it is an index of commercial prosperity.

Let us remember that Canada exports chiefly agricultural products and industrial raw materials and, on the other hand, imports large quantities of manufactured articles. However, its home industries are growing steadily, and its manufactured products occupy an increasing place among its exports[7]. Vigorous and intensive efforts have contributed during the past few years towards the emancipation of Canada from the commercial tutelage of the United States and England, although up to the present the bulk of her foreign trade has been almost entirely transacted with these two countries[8]. We have mentioned elsewhere the causes and the disadvantages of this situation[9] and have also attempted to point out the remedies. The creation of new direct commercial relations between Canada and countries which consume her products or sell goods to her appears to be the most rational solution of the problem.

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[7] From statistics furnished from Ottawa we learn that in 1925 Canada drew

40%	of	her	revenue	from agriculture.
10%	"	"	"	forests.
2%	"	"	"	hunting and fishing.
7%	"	"	"	mines.
41%	"	"	"	other activities, especially manufacturing industries.

It will therefore be seen that among the total sources of the country's wealth, manufacturing industries already occupy an important position.

[8] From 75 to 80 per cent. of Canadian exports go to the United States and England.

[9] See H. Laureys, *Le Commerce extérieur du Canada* (Montreal, 1922).

(*b*) *Exports.*

The official statistics of Canada divide exported products into nine classes as follows :

	1913	1928
Agricultural and vegetable products	$153,120,840	$555,110,598
Animals and animal products	62,421,165	165,845,096
Fibres and textile products	1,702,816	10,904,073
Wood, wood products, and paper	56,379,883	284,543,396
Iron and its products	12,221,870	62,753,934
Non-ferrous animal products	49,058,276	90,840,441
Non-metallic mineral products	10,368,624	25,280,805
Chemicals and allied products	3,818,422	17,892,904
Miscellaneous commodities	6,662,804	15,036,359

It will be seen from these statistics that the exports of Canada have almost trebled, and in the case of certain products have increased fivefold, in fifteen years. We must, however, with regard to many of these products, take into account changes in value since the War. But even allowing for this adjustment, these export figures show marked progress, especially as regards certain manufactured products. Here we find sure signs of changes in Canada effected by the War. Although Canada remains primarily an agricultural country, it engages to an increasing extent in the manufacture of its innumerable raw materials for export abroad. In 1925, agricultural production was estimated at $1,342,889,420, while the net value of manufactured products was $1,360,879,907 [10]. The most important purchasers from Canada in 1928 were as follows :

[10] *Canada Year Book*, 1927-8, p. 210.

British Empire	$499,278,000
United States	478,006,000
Germany	42,244,000
Holland	35,538,000
Japan	32,957,000
Belgium	20,782,000
Italy	18,743,000
China	13,432,000
Argentina	11,086,000
France	9,946,000
Norway	6,666,000
Denmark	6,391,000
Cuba	5,387,000
Brazil	4,897,000
Sweden	4,612,000
Greece	4,282,000
Mexico	2,540,000
Russia	2,424,000
Dutch Indies	2,364,000
Egypt	1,798,000
Colombia	1,733,000
Uruguay	1,626,000
Venezuela	1,497,000
Czechoslovakia	1,439,000
Peru	1,286,000

Other countries, notably Poland, Finland, Chile, Switzerland, Lettonia, Spain, Portugal and its colonies, Turkey, Rumania, Costa Rica, Haiti, Panama, Porto Rico and so on, purchase certain goods in Canada, but for very much smaller sums.

This list of the chief customers of Canada is most interesting, not merely as a basis for comparison with previous years, but for other reasons. It indicates clearly that the number of purchasing countries has greatly increased in recent years and that some old customers have purchased much larger amounts than in preceding years. Great Britain and the United States, which have long been

the chief customers of Canada, have considerably increased their purchases since 1913. From about $178,000,000 purchases by Great Britain have risen to over $410,000,000; while those of the United States during the same period have trebled, rising from about $151,000,000 to $478,000,000. The United States has thus become Canada's best customer.

It will be noted that in 1928 Germany occupied the third place among the purchasers from Canada. In 1913 she was in the fourth place, purchasing to the value of approximately three millions and a half. Holland, which in 1913 purchased to the value of $2,700,000 only, now purchases products worth $35,500,000. Italy has become one of our best customers, increasing her purchases in fifteen years from $605,719 to nearly $19,000,000, which brings her to the seventh place. Japan has more than doubled her purchases in ten years It is true that in 1923-24, probably as a result of the d.estruction following on the earthquake, imports increased sharply from fourteen and a half to nearly twenty-seven millions. In 1928, however, they reached nearly thirty-three millions, and it would appear that Canada has succeeded in establishing for herself a firm position in that distant market.[11] China purchased in 1913 to the value of $750,000 only, but her purchases now amount to over $13,000,000; in 1926 she purchased $25,000,000. Argentine purchases have increased from two and a quarter millions to over eleven millions. Cuba, the Scandinavian countries, Denmark and Brazil have made important increases. Russia, after many years of inactivity, has already surpassed her 1913

[11] The Chinese and Japanese have more and more tended to replace rice with its uncertain harvests by wheat, which they purchase from Canada in increasing quantities. In 1928 these two countries purchased wheat to the value of $13,500,000 and flour to the value of $5,000,000.

figure. Canada's five best customers in Europe, apart from England—namely, Germany, Holland, Belgium, Italy and France—have increased their purchases with marked rapidity.

Gains of this sort cannot be attributed to fortuitous causes, nor to the fact that the value of goods has doubled or trebled. They are partly the result of the success of exporters in obtaining new markets, partly of commercial penetration into distant countries by trade commissioners. Although it is recognized that this latter form of service to Canada—one on which depends in great measure the expansion of her foreign trade—is far from what it might be, one has to admit that in certain countries many of the results achieved are due to the generous efforts of these pioneers. They are, unfortunately, too few in number and not always well supported.

In short, Canada increasingly attracts the attention of other nations. Her share in the Great War made her known to the world which now takes, as never before, an interest in her resources and in the possibilities of trade with her. In spite, however, of this goodwill, she cannot without effort achieve the commercial development which her resources and the energy of her population lead one to hope for. Competition is severe, and Canada, as a late arrival among the great nations disputing with one another the supremacy of the markets of the world must necessarily struggle more strenuously for a place than those who got there before her. It is true, on the other hand, that she may benefit from the experience of other countries, experience often gained at the cost of heavy material sacrifices. To reach, however, what might be called a stable commercial equilibrium Canada must develop, to a far greater extent than at present, her trade with countries other than the United States and England. Since these two countries

control such a large part of her foreign trade, she is frequently not in a position to direct her own exports. She is at the mercy of British and American merchants who send her orders in pursuance of their own trade policies. It would be much more advantageous for Canada to export goods only to countries which actually consume them, and to abandon as far as possible the employment of foreign intermediaries who merely make a profit for themselves on Canadian goods. Even in the case of the British Empire, Canadians ought to have sufficient enterprise to carry on their own transactions. Foreign intermediaries—brokerage houses and the like—should only be employed in cases when direct commercial relations are impossible.

If we compare the exports by continents, we shall see that nearly nine-tenths of the exports of goods of Canadian origin are sent to Europe (four-fifths to England, and the rest elsewhere), and to North America, almost exclusively to the United States. If we add to this statement the one we have already made concerning the commercial subordination of Canada, we shall realize that our commerce ought to be expanded in other directions—South America, Asia, Oceania, and Africa—where new and direct markets must be sought for.

In Europe, certainly, we should reduce the number of our English and foreign brokers and manage our own affairs as far as possible. We have everything to gain by a change of this kind. On the other hand, since we already sell goods to a large extent in Europe, and since, especially at the present time, the market is limited, we cannot hope to see our business in that direction increase appreciably. Furthermore, in the case of the majority of European countries which are highly industrialized, we can only develop our sales of foodstuffs and raw materials. Manufacturers find only a small market for their goods, except

in certain countries, such as the Balkan States. On the other hand, there are other continents less advanced industrially where Canada can sell the products of her factories, and incidentally avoid the dangers of over-production in her home market. This will solve the problem of our manufacturers, who of late years have increased the number and size of their plants. Since 1921 it has been apparent that several Canadian industries have not been well adapted to the normal capacity of their markets. A readjustment has been attempted in two ways. The first is by reducing the hours of labour and by adjusting production to the actual demand; a policy which has grave consequences both for the working population and the capitalists engaged in these industries. The second—and better—policy involves the maintenance of production at the lowest possible cost, and the search for new markets to absorb the goods produced in excess of normal consumption. Canada should strive in every possible way to adopt the second of these solutions. Her manufacturers and traders must make themselves acquainted with the difficulties which at present hinder its realization. In order to export to distant countries they need to study thoroughly the conditions of such markets, not forgetting to keep an eye on the strong competition offered by European and American exporters. The task of Canadians is not, indeed, an easy one, but the reward will be in proportion to the effort which, beyond doubt, will be well worth the expense entailed.

It is not possible to consider here all the products exported by Canada. However, it is interesting to note that besides wheat, lumber, pulp, paper, flour, butter, cheese, and furs—which many people imagine are her only products—Canada exports today vast quantities of other goods, valued at large sums.

A glance at the statistics mentioned above will speedily show that a large proportion of Canadian exports consists of the products of agriculture, forests and mines. Nevertheless, the attention of the reader should be drawn to the remarkable increase in exports of manufactured goods during the past fifteen years [12]. This is really not so astonishing when one considers the vast economic resources of the Dominion. Their methodical exploitation is now a matter of daily occurrence; the time is not far distant when, thanks to an increase in population and in capital which will permit the utilization of her resources, Canada will become a great exporting country, sending to all parts of the world the products manufactured from the raw materials supplied by her soil, mines, forests and rivers. Up to the present, however, this has not come to pass. Out of a billion and a quarter dollars' worth of exports in 1928 almost sixty per cent were vegetable and animal food products which had gone through no other process of transformation than harvesting or slaughtering.

However, without attempting to provide a complete inventory of Canadian production, let us examine the chief products which we export and which are classified in the nine categories given above. In the first rank are vegetable products, which in 1928 were exported to the enormous value of $555,000,000. This is to be expected in the case of an agricultural country, where the products of the soil form the basis of its wealth. These products far surpass

[12] In an agricultural country it is very difficult to draw an exact line of demarcation between raw materials and semi-manufactured products. It is, however, useful to note that the Bureau of Statistics at Ottawa states that in 1914 the goods exported by Canada included 62.2 p.c. of raw materials, 10.1 p.c. partly manufactured goods and 26.7 p.c. fully manufactured goods ; whereas in 1927 these proportions were 46.2 p.c. of raw materials, 14.6 partly manufactured goods and 39.2 fully manufactured goods. See *Canada Year Book*, 1927-8, p. 488. A table of this kind should of course state the category in which the various products exported are classified.

the demands of local consumption and form in consequence an important item of foreign trade. Grain is the pre-eminent export of this kind. Last year Canada exported nearly $392,000,000 worth of grain of which about $352,-000,000 worth consisted of wheat (Canadian hard wheat enjoys a world-wide reputation), while barley totalled $23,000,000, rye $10,000,000, and oats $4,000,000. These figures show a considerable increase over those of preceding years, as harvests have been exceptionally abundant. The production of cereals is especially important in the prairie provinces—Manitoba, Saskatchewan and Alberta—but it is true to say that all the provinces participate in it. There are, in fact, two large areas where grain is cultivated : in the east (Quebec and Ontario) the low lands lying along both banks of the St. Lawrence as far as the Ontario peninsula; and in the west, the great plains or prairies. From the point of view of exportable agricultural production, the eastern provinces are on the whole less important than the rest of Canada, Ontario and Quebec because they are concerned with other forms of agriculture and with stock raising; the maritime provinces (New Brunswick, Nova Scotia and Prince Edward Island) because of their small territory. From the West, grain is shipped by way of the Great Lakes and the St. Lawrence to the Atlantic seaboard from whence it is exported to Europe. Montreal is especially important in this connection, and is marvellously equipped for the purpose [13].

[13] In the matter of general traffic, Montreal is the second port of North America, being surpassed only by New York. As an exporter of grain, it is the first port of the world. In 1925 the port of Montreal exported over 166 million bushels of grain, while in the same year New York exported only 120 million, Philadelphia 42, Baltimore 30, New Orleans 21, and Galveston 7. Grain exports from Montreal since 1921 have increased steadily and rapidly, with the exception of 1926, when the British coal strike upset the grain market.

In the past six years, exports of grain from Montreal have increased as follows :

Exports destined for the Orient are mostly sent from Vancouver. In recent years this port has gained in importance in the matter of grain export, since, as a result of the opening of the Panama Canal, cargoes may also be sent by this route to Europe [14].

	BUSHELS
1923	120,107,990
1924	165,139,399
1925	166,212,335
1926	135,897,882
1927	185,067,087
1928	202,575,931

Recent developments in the port of Montreal—the construction of new elevators and the extension of quays—will permit a further increase in this traffic. In 1928 the Harbour Commission of Montreal completed the construction of elevator No. 3 annex, which gives the harbour a total storage capacity of 15,162,000 bushels. This No. 3 elevator, the largest in Montreal, together with four projected extensions of 3,000,000 bushels each, will eventually have a capacity of 14,000,000 bushels of grain. Its present capacity is 5,000,000 bushels. Some conception of the efficiency of the equipment of the port of Montreal may be gained from the fact that in July, 1924, the English steamer "Innerton" loaded 274,590 bushels, or more than 3.000 tons of grain, in six and a quarter hours. This record far surpassed that of 1922 when 240,000 bushels of wheat were loaded in nine and a half hours, allowing the steamer "Clearpool" to clear for departure after spending only twelve hours in the port. In July, 1928, the British steamer "Linkmoor" arrived from Port Talbot, S. Wales, with 4,570 tons of anthracite coal; within 74 hours the cargo was unloaded, the ship refitted for carrying wheat, and 5,000 tons of Canadian wheat were loaded in 3¾ hours and the whole cleared for departure. This constitutes a record in the port of Montreal for handling steamers and a world's record in the actual loading of wheat. These examples illustrate the efficiency of the port and show Montreal in the lead, as compared with other ports on the North American continent. See also C. F. Jones, "*The Grain Trade of Montreal*", *Economic Geography*, vol. I, pp. 55-72.

[14] The tonnage of the port of Vancouver has increased materially during the past few years as a result of the Panama canal. In 1927 it actually surpassed that of Montreal. In that year the total tonnage of the port of Montreal, incoming and outgoing, for all sea-going vessels was 5,676,633 tons register, while in the same year Vancouver reached a total of 9,426,067 tons register. (*Canada Year Book*, 1927-8, p. 701.) The port of Montreal is open to navigation for seven months in the year only, whereas Vancouver has the advantage of being an all the year round open port. Vancouver has a magnificent natural harbour, equipped with modern piers for handling ocean freight, and is the terminus of two transcontinental railways. A large number of direct steamship lines maintain regular communications with the Orient, Australia, New Zealand, all the American Pacific ports, and also afford via the Panama Canal cheap transportation to Europe, South America and Mexico. The future of this port is therefore most secure and promising.

The chief importers of Canadian cereals are, in millions of dollars' worth, England (266), Holland (27), Germany (26), Belgium (17), Italy (14.5), Japan (11), United States (11), France (4), China (2.5). Many important mills have been erected in various parts of the country, equipped with the most up-to-date machinery for manufacturing into flour and meal a great proportion of these cereals [15]. In 1928 Canada exported over $64,000,000 worth of flour and meal, of which nearly $60,000,000 worth consisted of wheat flour, the rest being oatmeal and other similar products. The chief purchasers are England (22 million dollars' worth) Germany (6.5) and China (4). Many other countries, such as Denmark, Finland, Greece, Norway, Poland, Russia, and Czechoslovakia purchased flour valued at from one to two million dollars.

Among the other agricultural products exported by Canada, mention should be made of apples, which for several years have been advertised in foreign countries. In consequence of the reputation thus gained, four and a quarter million dollars' worth of Canadian apples was sold in 1928, of which three and a half million dollars' worth went to England. During the same period, flax seed to the value of over four million dollars was sold to the United States. In 1926, Canada exported nearly thirteen million dollars' worth of flax seed. It is difficult to account for this sudden decline, unless it results from smaller harvests. We may hope, however, that in the near future we shall, instead of exporting flax seed, extract the oil, and oil cake so that these products may obtain a more important place among our exports. The appreciable export of flax seed, as compared with the microscopic exports of linseed oil and oil cake is an excellent example of an industry utilizing a

[15] The most recent statistics show more than 1,300 mills with a daily capacity of about 130,000 barrels of flour.

Canadian product—an industry which might be much more developed than at present. Moreover, flax might be grown in Canada for the production of fibres, a much more remunerative production than that of the seed itself. At present its production and export are relatively insignificant. In 1928, Canada sold abroad nearly seven and a half million dollars' worth of potatoes. Four and a half million dollars' worth went to the United States, and two and a half to Cuba. Pressed baled hay was exported to the United States to the value of nearly two millions. Sugar was exported in 1928 to the value of nearly eight and a half millions, of which three millions went to England, one million to the United States, and the remainder to various other countries. This sugar is not, strictly speaking, Canadian sugar. The raw cane sugar is imported from British Guiana, Venezuela, Peru, San Domingo, the West Indies and the United States; it is merely refined in Canada [16]. This refining is carried on in large plants established principally near the port of importation. Beet sugar is produced in Canada in small quantities only, although in several places the climate and the soil favour its production. Several years ago plantations of beet sugar were established in the provinces of Ontario and Alberta, and these supply three factories which are prosperous; for some years past their output has increased, totalling in 1926 over 35,000 tons of refined sugar. We believe that this industry has a great future in Canada—which at present depends entirely [17] on other countries for a supply of raw sugar—provided that it is better organized

[16] Statistics show a marked falling off in the export of refined sugar. In 1926 Canada exported over 21 million dollars' worth, including 16 million to England.

[17] Maple sugar, chiefly produced in the province of Quebec, is of slight importance.

and methodically developed by expert workmen brought in from European countries or the United States.

Products of the forest occupy the second place in our classification of exports by groups. In 1928, Canada exported in the form of logs, boards, planks and shingles nearly $99,500,000 worth, of which the United States purchased nearly eighty million dollars' worth and England nine million.

The importance of the Canadian forests [18] at least so far as their extent is concerned, is well known. Less, however, is known—especially in foreign countries—of the great variety of woods which our forests supply. Rich in all varieties of wood natural to the cold temperate regions, Canada can supply construction timber and woodworking material in great abundance and of excellent quality. The wealth of softwoods, especially spruce, has led to the development of the pulp industry and of the manufacture of paper [19]. This development has become increasingly important, and the mills have so increased in number and size that in 1928 Canada exported more than

[18] See University of Toronto studies in pulp and paper and lumber, which may be had on application to the University Extension Department.

[19] Pulpwood, which should have long been used for other purposes than papermaking, will soon be largely employed by new industries being built up in Canada, notably that of artificial silk. English manufacturers (Messrs. Courtaulds Ltd.) built in 1925 a factory for manufacture of artificial silk, at Cornwall, Ontario. The cost of this plant is estimated at two and a half million dollars, and it will employ 500 workers. Since July, 1926, a second factory of similar character has been built at Drummondville at a cost of seven million dollars. The latter belongs to the "Canadian Celanese Limited", a company which by means of acetate of cellulose manufactures a variety of articles, such as artificial silk, non-inflammable cinematographic films, transparent plates, etc. The Howard Smith Paper Mills have formed a subsidiary, the "Canadian Cellulose Company", which will build a plant at Cornwall, Ontario, for the manufacture of artificial silk. Other industries based on pulpwood have been investigated with a view to similar developments in various parts of Canada.

$47,000,000 worth of pulp, of which $38,000,000 worth went to the United States and $3,000,000 worth to England. These exports included sulphite pulp to the value of $29,000,000, of which the United States purchased $22,000,000, the rest being sent to England, France, Japan, and Belgium. Canada also manufactures large quantities of mechanical pulp which is mixed with chemical pulp for the manufacture of newsprint. Last year she exported more than seven and a half million dollars' worth of mechanical pulp, of which four and a half went to the United States and two and a half to England. During the past few years the manufacture of sulphate pulp has developed rapidly. This is a yellowish pulp (kraft) used in the manufacture of wrapping paper, and last year ten and a quarter million dollars' worth was exported, all to the United States. Many other articles manufactured from wood are exported in smaller quantities—furniture, doors, window frames, tool handles, etc.

Animal products form our third group. Livestock in all its forms constitutes an important source of revenue for the Canadian farmer. Vast areas have facilitated the development of large herds, and in Canada as in the United States—although up to the present on a smaller scale—extensive packing plants have been erected which undertake both the slaughtering of the animals and the preparation and packing of meat for export.

For some years the export of live animals from Canada has been almost exclusively directed to England and the United States. In 1928, however, out of a total of approximately nineteen million dollars' worth exported, the United States purchased about eighteen million, leaving a small fraction for other countries. These statistics show a complete change in our exports of this kind. In 1926 out of exports totalling nearly twenty-two and a half million

dollars' worth, England purchased over twelve and a half million and the United States about nine and a quarter million. This situation was regarded as a favourable improvement, because ten years ago the United States purchased three times as many live animals as England. Then suddenly the English market became more important than that of the United States through the raising in 1922 of the embargo which since 1892 had been directed against live animals from Canada. At that time the embargo had been put on because an animal from Canada had died of a contagious disease. Influential British cattle-breeders protected by the embargo were able to keep it in operation until 1922, in spite of the fact that it had been temporarily lifted in 1917 when England was suffering from a food crisis. In 1921, however, after a thorough investigation, a special Royal Commission in England pronounced against this embargo on Canadian cattle and maintained—what many had long asserted—that Canadian cattle were just as healthy as English cattle or those of any other country. Several months later the embargo was lifted. In Canada, since then, the benefits of this new market have been felt more and more each year. In 1928, however, the British market for Canadian livestock dropped to zero. This decline was the result of the greater demand of the United States for live animals. This market,[20] being more accessible than the British market, its effect on the latter is inevitable. It should, however, be remembered that it is dangerous for us to allow our total production to be absorbed by a single market, more especially in the case of a country like the United States which plans to raise against us its import duties on agricultural produce.

[20] See L. R. Edminster, *The Cattle Industry and the Tariff* (N.Y., 1926); R. J. McFall, *The World's Meat* (N.Y., 1927), E. W. Shanahan, *Animal Foodstuffs* (London, 1920), and R. A. Clemen, *American Livestock and Meat Industry* (N.Y., 1923).

The products of animals slaughtered in Canada have obtained an important export trade in the form of bacon and ham, of which almost the whole, or about twelve million dollars' worth, goes to England. These products, which are of excellent quality, have sometimes, unfortunately, been confused in the public mind with similar, though inferior, American products.

Hides and leather have been exported to the United States to the value of over eleven and a half million dollars; a small quantity has also been sent to England. Raw wool to the value of two and a half million dollars was exported to the United States last year. Other important products from Canadian farms are milk and its derivatives. Butter, cheese and condensed milk [21] were exported in 1928 to the value of over $34,000,000 [22] of which $19,000,000 worth went to England and $11,000,000 worth to the United States. The provinces chiefly responsible for these are Ontario and Quebec. Butter, which in 1928 was exported to England to the value of $6,750,000 was sold to foreign countries in the same year only to the value of $1,000,000. Canadian cheese was almost entirely purchased by England; out of twenty-one million dollars' worth nearly eighteen million went to that country. Condensed milk to the value of two and a half million dollars was shipped to England, the United States, Germany, and Holland.

Animal products of another character are supplied by hunting and fishing, occupations which go back to the earliest days of the colony and which have developed into a trade of increasing value. Canadian furs are of great variety and high quality, and form an important product for export. Last year (1928) we exported twenty-four

[21] Powdered milk is also manufactured, and nearly three-quarters of a million dollars' worth was exported in 1928.

[22] This represents a decline of almost $20,000,000 since 1926.

and a half million dollars' worth, of which nearly fourteen and a half million went to the United States and over nine million to England. A small quantity of skins went to other countries. Here again, the fur trade of Canada is in the hands of two countries. The hunting of fur-bearing animals is carried on by trappers in all parts of the Dominion. The pelts are sold to middlemen who take them to large markets where they are sold by auction, usually in lots, to fur merchants. The latter prepare them and manufacture them into garments. There are also large companies [23] with trading posts scattered throughout Canada, especially in the Far North. They purchase pelts directly from the trappers and ship them to New York, Paris, London, etc.

Before the War the majority of these pelts were sold by auction at Leipzig and in London. The War completely altered this, making the former market inaccessible and causing the latter to become comparatively unimportant from 1914 to 1918. As a result the United States made a fairly successful attempt to capture this trade. Large sales were organized on English lines at New York and St. Louis, to which purchasers were attracted from all parts of the world. For several years, however, increasingly important sales of furs have been held at Montreal which, because of its situation, has become the logical centre of the Canadian fur trade [24].

Muskrat, beaver and fox are the principal pelts exported

[23] For example, Révillon Frères of Paris, the Hudson's Bay Company and so on.

[24] Winnipeg, Edmonton and Vancouver have also fur exchanges. All these are sales of pelts, that is, raw skins not prepared. These are the products which are sold abroad. Industries for the preparation of pelts and furs are far from adequately developed even to meet Canadian consumption, and large quantities of Canadian furs are brought back to Canada, after they have been prepared in other countries. See also H. A. Innis, *The Fur Trade of Canada* (Toronto, 1927).

from Canada. Muskrat, with its natural brown colour, is suited to the manufacture of fur-lined coats for both sexes, and has had great vogue in recent years because it can now be dyed to imitate sea-otter, in which form it is sold as "Hudson Seal". The catch of beaver is at present restricted in Canada by means of close seasons with a view to checking the extinction which threatens that excellent fur-bearing creature. Fox in all its varieties is found in Canada, the most valuable being the fur of the silver fox, one which is without equal elsewhere. In 1928 muskrat was exported to the value of three million dollars and beaver to the value of four million. Cross fox and red fox reached a total of four and a quarter million dollars' worth and silver fox over two million. Separate statistics are not given for white and blue foxes which are found in the Arctic regions of Canada. Mink is one of the most beautiful Canadian furs. It ranks first among the smaller low-priced furs and was exported to the value of two and a quarter million dollars, while marten reached a total of a million and a half. These furs are often sold in foreign countries as Russian sable. All the other Canadian furs—otter, fisher, lynx, skunk, and ermine—taken together totalled just over seven million dollars' worth.

Fishing is not less important than hunting. Canada, which is called, not without reason, the "country of a thousand lakes", possesses, besides these countless sheets of water scattered throughout its territory, immense rivers many thousands of miles in length; there are also the ocean littorals of the Atlantic and Pacific. Fresh and salt water fish, therefore, abound in Canada. The best known are cod[25] and salmon and, among the crustaceans, lobster.

[25] Especially in the Gulf of St. Lawrence and on the banks of Newfoundland where fleets of French fishing vessels carry on the fishery. See F. W. Mathews, *The Fisheries of the North Atlantic, Economic Geography*, vol. III, pp. 1-22.

Many others, however, might be mentioned. Last year Canada exported fish in various forms to the value of $34,500,000, of which over $10,000,000 went to the United States. This includes not only fresh or frozen fish, but also dried, smoked, salted or pickled fish shipped to the United States, Cuba, Porto Rico, China, Italy and Japan, which countries purchased between them nearly nine and a half million dollars' worth. Canned fish, chiefly salmon and lobster, was purchased by England to the value of five million dollars; the United States bought one and a quarter million, and the rest, about nine million, went to other countries, notably Australia, France and Italy. This makes, in all, thirteen and a half million dollars' worth of these canned goods.

The canning industry is located at the places of capture, important salmon fisheries being at the mouths of most rivers which empty into the Pacific. The most famous are those on the Fraser and Skeena Rivers. British Columbia salmon is dark red and is not so fine in quality as the pink salmon caught in Eastern Canada (in Quebec and the Maritime Provinces) but is more abundant. The total export value of salmon in 1928 was over nine millions, of which three and a half were sent to England, one and a quarter to France, one and a half to Australia and half a million to Italy. Lobsters caught and canned along the Atlantic coast—in the Maritimes and the Gulf of the St. Lawrence—were exported to the value of nearly three and a half million dollars, of which one million and three quarters went to England and the rest to the United States, France, Denmark and Sweden.

Years ago Canada was called "an empire of forest and wheat". Our enumeration of the principal products exported by Canada today surely confirms the appropriateness of this description. It is not, however, entirely

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accurate, because during the past quarter of a century there has grown up along with agriculture and forests a mineral and industrial Canada. In this latter field we are far from having reached the limits of our production, mineral or otherwise. The industrialization of Canada is of recent date and was largely the outcome of war conditions, especially if we consider the metallurgical and chemical industries. The variety of such manufactured products in Canada is already considerable, and their value was estimated during the latest industrial census at $2,948,000,000 [26]. It would be interesting to examine in detail these figures, but in a small volume of this kind we must be content to notice that the provinces of Ontario and Quebec are at present the most advanced from the industrial standpoint, and that the chief industries there are those connected with the manufacture of raw materials produced by the soil or extracted from the mines. In passing, one might suggest that these industries as well as those utilizing the hydro-electric power produced by our abundant waters, should in preference to others be protected and developed. Such a policy would ensure employment to numbers of our own factory workers, and facilitate the exploitation of the necessary raw materials supplied by agriculture, mines, and forests.

The mineral resources of Canada are enormous [27]. On an average she produces annually from two hundred to two hundred and forty million dollars' worth of various minerals, not a large amount if one considers the vastness of her territory and the wealth of her mineral deposits. We must, however, repeat that these resources are as yet

[26] This estimate is for 1925. It represents an increase of about $253,000,000 over the preceding year. In 1920 the industrial production of Canada was more than $3,500,000,000 worth. *Canada Year Book*, 1927-28, p. 409.

[27] E. S. Moore, *Mineral Resources of Canada* (Toronto, 1928).

far from fully exploited. The wealthiest provinces with regard to minerals are in order of importance : Ontario, British Columbia, Nova Scotia, Alberta, and Quebec. Export figures reveal plainly the importance and wealth of these mineral industries. The chief minerals exported are : nickel, copper, lead, silver, gold, asbestos, zinc, and coal. In 1926 minerals, classified according to production in millions of dollars, stood as follows : coal, 59¾; gold, 36¼; lead, 19¼; copper, 17½; nickel, 14½; silver, 13¾; zinc, 11; asbestos, 10; natural gas, 7½; gypsum, 2¾.

Nickel is the exclusive product of Ontario (Sudbury). New Caledonia is the only other important competitor in the world, but Canada leads easily in the matter of production, being responsible for practically 90% of the world's nickel output. Until recently Canadian nickel was exported in the form of "mattes", chiefly to the United States, where it was refined, but now there are refining plants in Canada at Port Colborne (Ont.) and Lac-Deschênes (Que.). The latter began operations in 1920, but suspended them in 1924. Canada also exports nickel not only in the form of "speiss" but also as refined nickel. In 1928, the value of nickel exports had increased to over $17,000,000, of which $7,000,000 went to the United States, $4,500,000 to England [28] and $3,500,000 to Holland [29]. Among the minerals exported by Canada, copper occupies the second place. It is exported chiefly in the form of "mattes" and "blister", and in 1928 had a value of over $15,500,000, of which $13,500,000 was shipped to the United States. The principal copper deposits are found

[28] France purchases Canadian nickel from London instead of direct from Canada.

[29] Nickel imported by Holland is probably destined for Germany. Until 1924 Germany occupied an important place in our export statistics, but in 1926 it imported nickel directly in negligible quantities only, far from sufficient to supply its immense steel and other industries.

in the province of Ontario (Sudbury) and in British Columbia (the districts of Boundary and Rossland), the former producing copper-nickel ores (pyrrhotite-pentlandite-chalcopyrite), and the latter copper pyrites. Discoveries recently made in the Province of Quebec, at Noranda in the Rouyn district, have raised hopes that the production of copper will soon become of importance in that province also.

Lead, which is exported to the value of over $11,000,000, is produced in British Columbia and sent chiefly to England ($4,000,000), and Japan ($4,000,000), the rest going to China, Germany, Holland, Belgium, the United States, France, etc. Lead exports more than trebled between 1924 and 1926. Canadian lead is exported almost exclusively in ingots. At Trail, B.C., large smelters of the best modern type have been erected, where minerals are reduced and refined. Here also are reduced the British Columbia blendes from which have been extracted all the zinc that Canada produces. The export of zinc in its commercial form (spelter) reached last year the sum of nearly $8,000,000. Japan and England each purchased from one and a half to two million dollars' worth, the rest going to Belgium, Holland, Germany and other countries. At the end of 1926 the newspapers announced that the construction of a plant for the reduction of zinc was to be undertaken in the region of Lake St. John, Que., involving an outlay of $12,000,000. The project was set on foot by the Duke-Price syndicate, which is already strongly entrenched in the district, and intends to develop it in connection with power available at Chute-à-Caron. Such a step forward ought to change materially the position of Canadian zinc as regards production and exportation [30]. It has also been stated that a plant has been decided on in the same neighbourhood for the refining of gold-bearing and copper-

[30] This project has not as yet materialized.

bearing ores from the Rouyn district which cannot be dealt with by the smelter at Noranda.

Silver is produced in Ontario and British Columbia, and exported to the value of twelve million dollars, of which five million went to the United States, four million to China and three million to India. In Ontario, where the most important deposits are at Cobalt, the ore contains silver, cobalt and nickel; in British Columbia the ores are chiefly of the argentiferous galena type. It is interesting to note that the three countries which produce the largest quantities of silver in the world are all in North America—namely, the United States, Mexico, and Canada.

As a producer of gold, Canada ranks third among the countries of the world, after South Africa and the United States. Quartz gold is mined at Porcupine and Kirkland Lake in Ontario and also at Kootenay in British Columbia, placer gold in the Klondyke. The producing districts are Ontario, British Columbia, the Yukon and Quebec. For several years gold has been reduced and refined in Canada. In 1926 Canada exported about twenty-six million dollars' worth of gold, all to the United States; but in 1928 this total decreased to nine million dollars' worth, all to the United States.

Asbestos occupies the seventh place in minerals exported. The production of this fibrous, incombustible, non-conducting mineral, for which the demand is continually increasing, is limited to the province of Quebec. The chief deposits are located in the Eastern Townships in the neighbourhood of Thetford Mines. Exports increased to over ten and a half million dollars' worth in 1928, six and a half being sent to the United States and the rest to the following countries, in order of importance : Germany, England, Belgium, France, Japan, Holland, Italy and Australia. The only important competitors which Canada

has to face in the matter of asbestos are Rhodesia and Russia. Canadian asbestos, however, is of superior quality.

Canada also exports coal, although for geographical reasons she has in addition to import large quantities from the United States [31]. She is rich in coal, and, after the United States, possesses the largest deposits in the world. Unfortunately these deposits are poorly located in her vast territory, and the quality is not always of the best. In Eastern Canada the most important deposits are in Nova Scotia ; in the West, the provinces of Alberta and British Columbia are the largest producers. Quebec and Ontario, the most highly industrialized provinces, are totally lacking in coal. Rich in water power, they have attempted to replace this lack by means of "white coal". However, they cannot depend absolutely on hydro-electric power for the needs of industry or the heating of houses during the long Canadian winters [32]. Consequently much coal, especially anthracite [33], is imported from Pennsylvania. The coal fields of Nova Scotia are inadequate, and the product of the western mines cannot be shipped by rail at a suffi-

[31] About 16 million tons in 1928.

[32] Although it is difficult to overcome the geographic handicap which results from the location of our most thickly populated provinces far from our great producing fields, but in close proximity to those of the United States, yet a recent report of the Dominion Fuel Board (December 18, 1928) covering the period from 1923 to 1928, shows the progress made by Canada towards less dependence on the American market. A comparative table of the fuels used in the province of Ontario for domestic heating will also be useful in this connection :

	1923 Tons	1927 Tons
Imports of American anthracite....	4,753,873	3,073,033
Imports of British anthracite.....	207,282	720,203
Coke consumed for domestic heating	270,000	812,000
Low volatile coals.....	180,000	386,000

See also M. J. Patton, *The Coal Resources of Canada, Economic Geography*, vol. I, pp. 71-88.

[33] Canada produces little anthracite, its best deposits of which are rare and difficult of access. The coal fields of Nova Scotia produce bituminous coal and those of the Western provinces chiefly lignite.

ciently low rate to the principal centres of consumption [34]. In 1928, Canada exported more than four and a half million dollars' worth of coal, of which over two million went to the United States, a country rich in fuel except in the western states of the Pacific. These states are supplied by the neighbouring Canadian province of British Columbia. In the East, Newfoundland purchased nearly one and a half million dollars' worth of coal. The rest was exported to Alaska, British Guiana, Australia and the Philippines.

In 1928 our aluminum exports reached a total of over $10,500,000 worth, although Canada does not possess the ores from which this metal is extracted. As a result of the development of water-power, Canada can compete with countries which possess bauxite and cryolite, from which aluminum is extracted by means of electrolysis. The production is centred at Shawinigan Falls (Que.) and at Arvida (Que.) where in 1926 a second plant was opened under a new company, the Aluminum Company of Canada. This factory was the outcome of an immense expenditure of American capital, and the plant will produce over 25,000 tons of aluminum per year. This new industrial development has naturally increased the exports of aluminum, which nearly doubled in two years. In raw or ingot form or in the manufactured state (tubes, cables, etc.) it is exported to the United States (eight million dollars' worth), England (one million), Japan, and Italy.

Other mineral resources exported from Canada—but for very much smaller sums—are cement, mica, graphite, quartz, abrasives, and cobalt. Special mention should be

[34] The high prices paid for several years in Canada for anthracite from the United States (in Montreal the price has varied annually from 15 to 18 dollars a ton since 1918) have permitted the importation of Scotch and Welsh anthracite at a price remunerative to both British operators and Canadian retailers. Imports from England have not yet, however, reached a total of one million tons a year for all Canada.

made of the last two. The province of Ontario supplies nearly all the cobalt in the world. It is exported in the form of metallic cobalt or salts of cobalt. Canada also exports abrasives to the value of nearly three million dollars, almost wholly to the United States. These abrasives consist of natural corundum or emery but especially carborundum or silica carburetted in electric furnaces, manufactured at Niagara Falls and other places where water-power is available.

We must now consider the principal manufactured products exported by Canada. We have already noted the importance of the annual industrial production of the Dominion. It will be observed that although Canada has vast areas devoted solely to agriculture and others not yet brought under cultivation, or even raised to a state of agricultural development, there are Canadian manufacturing centres of real importance. This fact is now becoming better known. But this great production can no longer be absorbed by the thin and widely-scattered population of this vast Dominion [35]. New markets are therefore increasingly necessary. The marketing of foodstuffs and the products of the forest is comparatively simple, because they are in demand throughout the world. On the other hand, the export of manufactured products by Canada, a late arrival among industrial and exporting countries, has to be carried out in the face of competition from powerful adversaries. Gradually, however, manufacturers and traders are becoming interested in the possibilities of foreign markets, and their efforts are becoming more intelligently directed and therefore more efficient. Canada, in

[35] At the last census (1921) the population of Canada was 8,788,483 evenly divided between urban and rural districts. In 1881 the rural population was 86% of the total. This rapid urbanization of Canada is partly due to the development of industries which attract to the large cities population from the rural centres and small villages. In 1927 the population of Canada was estimated at 9,519,220.

truth, must conquer new markets in the interests of her people and in order to develop normally all her resources. She must therefore strive to increase continually the proportion of manufactured products to her other exports. To find markets for the products of her factories is to procure bread for workmen by whose labour she can turn into manufactured articles raw materials which otherwise would be exported as such, or perhaps not be developed at all. But to attain this object she must also produce goods of high quality at a reasonable price. It will be obvious, however, that the solution of the problem is not so simple in the case of a vast country like ours, where everything is very dear and where workmen must be paid the high wages exacted by the international unions. Yet in spite of the difficulties she has to contend with, Canada already exports manufactured goods to the value of large sums and, moreover, these are steadily increasing.

The first place in manufactured products exported is occupied by paper and cardboard. If, in the variety of its products this industry cannot be compared with that of other countries, especially in Europe, its importance to production from the Canadian point of view is worthy of note. The paper industry, including that of newsprint, cardboard made from wood pulp, and writing paper made from rag pulp, has at present sixty-nine factories, thirty-four of which are in Ontario, thirty in Quebec, two in British Columbia and one in New Brunswick [36]. The total production of these plants is estimated at nearly 1,400,000 tons of paper per year. In 1928 exports of paper

[36] This does not include pulp producing plants, of which there are 46 in Canada—19 in Quebec, 12 in Ontario, 9 in Nova Scotia, 4 in New Brunswick, and 2 in British Columbia. These factories combined produce nearly 1 million tons of pulp available either for export or sale in the Dominion. See N. Reich, *The pulp and paper industry in Canada* (Toronto, 1926).

and cardboard amounted to nearly $135,000,000 worth, of which $128,500,000 worth consisted of newsprint, $2,500,000 worth of cardboard, and $1,500,000 worth of wrapping paper (kraft). Fine papers find but little place in Canadian production; in fact for such things Canada is rather a customer of the United States, England and other countries, and this is true also of other specialties such as wall paper, printing paper, certain binding papers, etc.

The United States is our best customer and purchased in 1928 over $120,000,000 worth of various papers, especially newsprint (over $118,500,000 worth)[37]. Australia and England each purchased about four million dollars' worth, New Zealand one and a quarter million, the remainder going to South Africa, Argentina, Cuba and elsewhere. Wrapping paper exports to the above countries totalled nearly $2,000,000 worth.

In the second place among manufactured products exported comes iron and its products. Under this comprehensive heading are included a vast number of products in the manufacture of which iron and steel are used. This is consequently an important group, and in 1928 the total

[37] As is well known, American newspapers are numerous and voluminous. On the other hand, the forests of that country have been greatly depleted of material suitable for the manufacture of pulp for newsprint purposes. Americans deplore the wasteful exploitation of their forests during the last quarter of a century, an exploitation which has destroyed certain materials and appreciably diminished others. The American paper industry has greatly suffered in consequence. Reforestation is inadequate at present to meet the deficiency of pulp wood and American factories are obliged to rely to a great extent on Canadian forests for this raw material. The average yearly consumption of paper in the United States varies from eight to ten million tons of which newspapers consume two to three million. Half of this immense total is furnished by the forests of the United States. More than 80% of newsprint imported and about 50% of pulp imported, come from Canada. The wasteful exploitation of American forests and the large consumption of paper in that country make it, therefore, partially dependent on Canada for supplies. Large amounts of American capital are invested in the Canadian pulp and paper industry.

exports of this class amounted to more than sixty-two and a half million dollars' worth. Yet we are not rich in iron ore. This mineral is found in British Columbia, New Brunswick, and Nova Scotia, but the output is insignificant compared with the quantity consumed by the eleven blast furnaces of Canada [38]. The required amount is made up by importations of ore from Newfoundland and the United States, shipped to New Glasgow, Londonderry, Sydney, N.S. Hamilton, etc. Much Newfoundland ore goes to the first-mentioned places, because of the large coal-deposits found there. In Ontario, there are blast furnaces at Hamilton, Sault Ste. Marie, Port Colborne, and Midland. These plants use the ore from Lake Superior and Canadian and American coal, all of which are brought to the scene of operations by way of the Great Lakes. In 1926 the active Canadian blast furnaces produced 848,195 tons of cast-iron, a quantity far from sufficient for the needs of the various steel plants existing in the country. We import chiefly from the United States pig iron, steel in blooms and billets, scrap iron and steel, as well as moulded and forged pieces, and various rolled pieces for use in the manufacture of machines and other products. [39].

Included also in "iron and its products" are cast iron, of which Canada exports a small quantity only—about two and a half million dollars' worth—and certain rolling mill products (one and three quarter million dollars' worth). These go chiefly to the United States, while tubes and pipes, wire and woven fencing, nails, screws, bolts and nuts to the value of one and a half million dollars are shipped to Australia, China, New Zealand and the Argentine.

[38] In 1927 Canada produced 2,029 tons of iron ore, whereas it consumes annually in its blast furnaces nearly 2,000,000 tons. Imports of iron ore in 1928 totalled 1,491,234 tons.

[39] See W. J. Donald, *The Canadian Iron and Steel Industry* (Boston, 1915).

Next comes the automobile industry [40], which has developed marvellously of recent years. The varieties of cars are numerous, the majority being either of American origin or simply assembled in Canada by branch houses of large plants in the United States. Prices vary over a wide range from that of the modest Ford to that of the majestic Pierce-Arrow. The automobile is in general use throughout Canada and local consumption is therefore highly important. However, the local market cannot entirely absorb the production, which since the war has greatly increased, owing to the multiplication of plants and improvements made to machinery. The maker of automobiles must, therefore, export. He has found markets in several countries and especially in the British Empire. The value of automobiles exported in 1928 came to over twenty-five million dollars. This includes five and a half million dollars' worth of trucks exported especially to the West Indies, to Panama and Rumania, and in much smaller quantities to several other countries. Nineteen million dollars' worth of passenger cars went to the following countries, the figures being in millions of dollars : the United Kingdom (4½), India (3), the Argentine (1¼), Dutch East Indies (1), British East Africa, South and West Africa, Australia and New Zealand, Egypt, Brazil, Chile, Colombia, Venezuela, Uruguay, Rumania, Ceylon, Straits Settlements, etc. To this should be added an amount of over $2,500,000 obtained from the export of spare parts to these same countries.

In the same classification are included agricultural machinery and farm implements, which Canada produces in large quantities. There are large factories in the Dominion which export well-made, strong, practical machines to all parts of the world. This is one of the

[40] See C. H. Aikman, *The Automobile Industry of Canada* (Toronto, 1926).

manufactured products of Canada which has contributed most fully to the reputation of her manufacturers in the world market. Last year she exported more than $15,000,000 worth of agricultural machinery, especially to France, Australia, Argentina, South Africa, and the United States.

There are also some other metallurgical products exported by Canada which should be mentioned here; sewing machines to the value of three and a half million dollars, sent especially to Argentina and Brazil, boilers, rolled iron, pipes, calculating machines, tools and machine tools.

Fermented and distilled beverages were comparatively unimportant as exports ten years ago [41] but are now exported on a vast scale, curiously enough to the United States principally [42]. These industries have benefited largely from the prohibition measures taken by our neighbours to the South, since even in "dry" Canadian provinces such as Ontario—where until 1927 similar arrangements prevailed [43]—the distilleries were running at capacity

[41] In 1913 exported wines and liquors were valued at $1,400,000. These statistics do not indicate export of beer.

[42] This includes only exports made regularly, and registered by our export statisticians, and not the illegal trade which according to newspaper reports, is far more extensive and is carried on by smugglers along the United States boundaries after the fashion of the pirates of old. Smuggling alone has been responsible for the export of over one hundred million dollars' worth of beer to the United States during the past five years or since the anti-smuggling treaty was signed. This traffic has steadily increased, and was estimated in 1928 at thirty million dollars. Recently a delegation of United States coastguards, prohibition and preventive officers discussed at various conferences at Ottawa with Canadian customs, justice, marine, and external affairs officials the possibility of a revision of the treaty with a view to making it more effective.

[43] During the War, voluntarily and with good will, Canada placed herself under prohibition in order to give all her efforts to national defence. Since then eight provinces, viz., New Brunswick, Quebec, British Columbia, Manitoba, Alberta, Saskatchewan, Ontario and Nova Scotia have set up systems of government control which vary in application only in details. Prince Edward Island is still nominally as "dry" as the United States. See R. E. Hose, *Prohibition or Control* (N.Y., 1928).

and exporting to other countries products judged improper for the consumption of their own people. In the province of Quebec during the same period several large breweries were built and old ones modernized and enlarged. The export of beer in 1928 amounted to just over five million dollars' worth, almost all of which went to the United States. Twenty-two million dollars' worth of alcohol was exported, of which the United States purchased over eighteen million.

Chemical industries, since the War, have developed in Canada to a remarkable extent. These industries, born as it were only yesterday, have become very flourishing, and export their products in large quantities. In 1928 the total export of chemical products was valued at $17,892,900, of which about $9,000,000 worth went to the United States, and $4,000,000 worth to England. The chief products in this category are soda and sodium compounds (three and a half million dollars' worth), acetic acid (three million), and wood alcohol, of which, however, the export is lower than in former years. It is certainly to Canada's disadvantage that post-war chemical developments have so seriously affected the wood distillation industries.

Among products of similar origin to the above should be mentioned acetate of lime, of which we exported last year about $245,000 dollars' worth, and sulphuric acid which, ten years ago, Canada had to import from the United States, but now exports to the value of nearly $300,000 annually. Chemical nitrogenous fertilizers, especially ammonium sulphate and calcium cyanamide, were exported in 1928 to the value of nearly $5,500,000; on the other hand, Canada imported a large quantity of fertilizers—phosphate and potassium—which she was unable to produce herself. Ammonium sulphate produced in gas plants from the distillation of ammoniacal

liquor was sold to Japan, the United States and the West Indies. Calcium cyanamide, obtained through the action of nitrogen from the air on calcium carbide at a temperature of at least 1000 degrees centigrade, is produced advantageously in Canada by means of the hydro-electric power developed at Niagara Falls. It is exported almost wholly to the United States.

The production of paints and varnishes in the Dominion has increased appreciably, and these are now exported. Canada also sells abroad arsenic in small quantities, obtaining it from the treatment of arsenical pyrites found in Ontario; calcium carbide, which is obtained very cheaply by treating lime in electric furnaces; and oxide of cobalt, which is of great value to manufacturers of pottery and porcelain in all parts of the world.

Finally, mention should be made of the rubber industry, or rather of goods manufactured in Canada from raw rubber imported from tropical countries. Under the protection of a high tariff, large Canadian plants, branches of American factories, were established some years ago and are today powerful and well-managed organizations. They manufacture a large variety of articles of good quality, fully capable of meeting foreign competition. Nearly $28,500,000 worth of these goods was exported in 1928—chiefly automobile tires and inner tubes which accounted for over $20,000,000 of the above sum. Tires were chiefly sent to England, Argentina, Australia, South Africa, New Zealand, and France. Other articles of this kind are the rubber soles of canvas shoes, rubber boots and galoshes, as well as a host of toilet articles made of rubber.

We must close at this point our survey of Canadian

export trade during 1928. Although incomplete [44], it will give some idea of the agricultural and industrial development of the Dominion at the present time.

* * * *

(*c*) *Imports.*

Canadian imports in 1928 totalled $1,108,956,466, of which the United States alone supplied goods valued at $719,000,000. The British Empire furnished about $249,000,000 worth, of which $186,000,000 worth came from the United Kingdom. The total imports, therefore, from these two sources alone amounted to $905,332,094 worth. Commercially, then, Canada moves within an English and American orbit. This situation is far from being advantageous, because while it may be true that Canadian exports are largely sold by brokers in New York and London, it must be noted on the other hand that Canada buys very largely from these two countries, and especially from Americans.

The principal other countries [45] which exported to Canada in 1928, were :

	Dollars.
France	26,473,732
Germany	17,055,798
Japan	12,505,373
Belgium	9,943,570
Argentina	9,849,754
Netherlands	8,748,716
Switzerland	8,595,677

[44] Certain important industries are not mentioned here, either because they do not export at all or export very little. Such is the case with the important textile industry, which produces almost exclusively for the local market, producing annually to the value of $400,000,000 and exporting scarcely at all.

[45] Lest we should seem fastidious, we have cited those countries only whose sales to Canada in 1928 reached in value at least a million dollars. Except in some special instances, we have also deemed it advisable to limit our enumeration of imported products to those which have a value of at least $250,000.

Colombia	7,580,376
Cuba	5,587,171
Peru	5,216,402
Italy	4,241,802
China	2,572,453
Spain	2,572,150
San Domingo	2,452,841
Czechoslovakia	2,423,984
Brazil	2,088,200
Sweden	1,862,120
Mexico	1,174,087
Dutch East Indies	1,131,283
Norway	1,064,215

Over a period of fifteen years, the import trade has changed materially along with the export trade. During the War, for various reasons which need not be emphasized here, certain nations from whom we obtained our supplies were eliminated temporarily from the markets of the world. Pressure of circumstances obliged Canada to obtain supplies from new sources, a change which has at times been an advantage to her, as in cases where Canada increased direct purchases of raw materials necessary for her industries, or of other goods which she could not produce herself. Cuba affords us an example of this change. In 1913 it was classed in the twelfth place among countries from which Canada imported. Her total was then $2,745,-572, whereas in 1926 Cuba had reached the fourth place, Canadian imports from thence amounting to over $11,000,-000. This is a remarkable change, and is chiefly due to the initiative of Canadian manufacturers in purchasing their supplies of raw sugar direct from Cuba [46]. This sugar, purified in large modern refineries erected within recent years, has become an important article of export

[46] Of the total, $9,966,526 represents raw sugar, and the remainder, nearly $1,000,000, non-manufactured tobacco.

(see above). Imports from San Domingo have increased in similar proportions. In 1913 this country held the thirteenth place, with a total of $1,871,942, and in 1926 rose to the tenth place, with a total of nearly $6,800,000. Originally this country furnished the chief supply of raw sugar to Canada. In 1928, however, in consequence of regulations to restrict the export of raw sugar from these sources, imports to Canada declined, as the above table indicates, and Canada has had to turn to other sources of supply (see page 57). Peru formerly held the twenty-fourth place with $429,581, but in 1928 reached the twelfth place, her exports to Canada amounting to over $5,000,000. Up to 1924 imports from this country consisted largely of raw sugar, but today this item has practically disappeared, and in its place Peru sold us in 1928 nearly $5,000,000 worth of crude petroleum. Japan has more than trebled her sales to Canada in 15 years. From three millions in 1913, sales rose to over 12 millions in 1928. From Japan we purchase principally tea, silk and silk goods, also electric lamps. Our purchases from Argentina, chiefly corn and raw hides, have greatly increased. Holland has also increased her sales to us, especially of diamonds and paints (lithopone). Another country whose sales to us have greatly increased is Colombia. At one time this country sold us coffee almost exclusively, but now, while maintaining its sales of coffee, it has added appreciable supplies of crude petroleum, an item which rose from $334,925 worth in 1927 to $6,786,688 worth in 1928. China has also risen from the eighteenth place with $764,651 to the fourteenth place with $2,572,453. Tea, natural silk and rice are the chief products purchased in this case.

It might be argued that if we take into account the general rise in the price of everything since the War, the

countries which have only doubled [47] their exports to Canada—such as Switzerland, Italy, Spain, and Sweden—have remained stationary. Until 1924 certain countries, hard hit by war conditions—such as France and Belgium—sold to Canada goods valued at only moderate amounts practically equal to those of 1913. Since then, however, industries in these countries have recovered lost ground and their exports have increased. In Germany this recovery has been rapid. In 1913 the three countries above mentioned sold to Canada goods valued as follows : France, $15,528,288, Germany, $14,473,833, and Belgium, $4,096,432. It would appear that Belgium has made the most rapid progress in this matter, if one takes into consideration the changes in the purchasing power of the money of these countries, for her sales to Canada in 1928 were more than double what they were in 1913. Other countries, notably the Dutch Indies, Mexico, and San Domingo are still below the pre-war figure. Canada imports products from a large number of other countries, but it is not possible here to cite all of them. We have mentioned above only those countries which sold to Canada goods valued at a million dollars a year at least. The following countries, however, arranged in order of importance, exported to Canada goods valued at from a quarter of a million to one million dollars : Portugal, Honduras, Ecuador, Austria, Turkey, Chile, Dutch West Indies, and Greece.

* * * *

[47] It is worth noting that imports to Canada from the United States and the British Empire have not increased in such appreciable proportions, but as these two exporting units are responsible for large sums representing over four-fifths of the total Canadian imports the increases are still important. In 15 years the United States has increased its exports to Canada by 60%, that is, from 450 million dollars in 1913 to over 719 million in 1928. The British Empire has increased its imports by 50%, rising from 163 million dollars to about 249 million.

Now let us turn to consider the chief products which Canada purchases from abroad. Federal statistics classify these products under nine headings, of which the totals in 1928 were as follows :

	Dollars
Agricultural and vegetable products	238,185,560
Iron and its products	259,573,668
Fibres, textiles, and textile products	186,995,814
Non-metallic minerals and their products	153,049,438
Animals and animal products	65,790,021
Non-ferrous metals and their products	60,190,036
Wood, wood-products and paper	51,750,924
Chemicals and allied products	33,572,113
Miscellaneous commodities	59,848,892
Total	$1,108,956,466

Since 1913 this classification has been changed, and it is not possible to make a comparison by groups. We cannot here consider all the products imported by Canada, and must therefore limit ourselves to the more important products, which we shall refer to in the order given above.

Agricultural products.

Under this title are classed agricultural products properly so-called and also products derived from agriculture. A large number of the latter are peculiar to countries with a warm climate. Sugar in various forms, but especially raw sugar, occupies the first place. In 1928 Canada imported nearly $39,000,000 worth of raw sugar [48]—six million of which came from Barbados, six from British Guiana, four and a quarter from Cuba, and also from Fiji, three and a quarter from Jamaica, two and a half from San Domingo, and also from Australia, one and a half from Trinidad, one and a quarter from British East Africa. The other British West Indies provided three million dollars

[48] This is a decline of 13½ millions in four years.

worth, and the United States one million and a quarter. As we have already pointed out, this sugar when refined is sufficient not only for home consumption but has also during recent years become an article for export.

Fruits and vegetables last year were imported to the value of over $47,500,000. At a time when the cost of living remained high, this figure is in many ways astonishing. One would naturally expect that the consumption of such luxury products would diminish, especially as Canada is herself an important grower of fruit. Unfortunately, in this as in other cases, people despise the home product and prefer the dearer imported fruit, which is rarely of better quality. Canada should, in reality, only depend on foreign countries for tropical fruits such as oranges, bananas, lemons and pineapples. At present it is possible to procure these fruits fresh all the year round in every Canadian town, and consumption of them by all classes of society is very large. The show windows of fruit dealers in the cities of Toronto and Montreal are the admiration of visitors because of the varieties of fruit from warm countries which they display even in winter. Nevertheless, it is desirable that such imports should decline. Fruits, which come principally from California and Florida [49] are heavily burdened with transport and other expenses before they reach the Canadian consumer. In the interests of the Dominion as a whole and of the agricultural classes in particular, the great mass of our Canadian population should limit its consumption as far as possible to fruits in season, and leave early and exotic fruits imported from abroad to the wealthier classes.

In addition to tropical fruits we also import large quantities of pears, apples, peaches, apricots, and prunes

[49] Canada imported in 1928 nearly 25 million dollars' worth of fresh fruit of which nearly 24 million came from the United States.

which compete directly with Canadian fruit. Prunes, raisins and other dried fruits were imported to the value of over $6,000,000, of which four and a half million came from the United States. Preserves and canned fruits totalled almost $3,000,000; and nuts, such as walnuts, almonds, etc., over $5,000,000. Canada also purchased fresh vegetables from the United States to the value of over $4,000,000. Obviously there is an important place in the Dominion for market gardeners, because it is chiefly the finer vegetables such as chicory, asparagus and artichokes which are imported, the production of these, especially in the vicinity of the large cities, being inadequate at present.

In spite of its great production of cereals, Canada imports annually more than $22,250,000 worth of these, especially corn and rice. Corn is of course one of the principal exports of the United States [50]. Rice is supplied also from the United States in small quantities, but principally from China, Japan and India, the chief producers of the world. Of products derived from cereals we import malt [51], tapioca, macaroni, flour, meal, etc.

Wines and spirits come next in importance. Unfortunately wines only accounted for $3,265,497 out of a total of $46,000,000. They came principally from France, Spain, Italy and Portugal. The majority of our people drink alcohol, chiefly in the form of whisky and gin, and not wine. In recent years, however, there has been a marked increase in the consumption of wine as far as the province of Quebec is concerned. It is greatly to be desired that this con-

[50] Out of $18,652,000 worth of cereals imported by Canada in 1928 the United States supplied over $8,750,000 worth, of which $7,000,000 worth consisted of corn.

[51] The most up-to-date breweries in Canada do not perform the operations of malting or kiln-drying. They purchase their malt already prepared from the United States.

sumption of wine should increase, as it will certainly be to the advantage of the public health. In 1928 Canada imported $38,692,726 worth of spirits from England, the rest coming from Holland, France, and Jamaica. Tea is the favourite beverage of the Canadian people and therefore large quantities are imported. Of a total of $12,250,000 worth, England supplied $5,250,000; British India $3,750,000, Ceylon $2,250,000; the remainder came from China and Japan. Black tea is the principal kind consumed.

Coffee and cocoa are less important, although imports were valued at $5,636,403 and $4,788,894 respectively. Cocoa is imported from England, the United States, Jamaica and Trinidad, in the form of cacao beans and powder. These statistics include also imports of chocolate and cocoa butter, the latter principally from the United States, Holland, and Germany. Coffee is imported in the green state, sometimes directly from the country of origin, but more often by way of London or New York. If it is true that such goods leaving bonded warehouses have not paid duties in these countries, it should however be admitted that Brazilian coffee arriving in Canada from London has made a wide detour, for which the customer has to pay. It is to be hoped that gradually this old-fashioned commercial method will be displaced by direct trading between the purchasing and selling countries. Brazil supplies a large proportion of the coffee imported by Canada ($1,871,385 out of $5,500,000 worth). The rest comes from the plantations of Jamaica, Colombia, Guatemala, Mexico, San Salvador, and Venezuela. We also import from other sources a quantity of roasted coffee and coffee extract.

Among other agricultural products used as food must be mentioned spices, which Canada imports considerably—

to the value of $1,500,000 in 1928—and also hops, which came chiefly from the United States. The most important vegetable products used for industrial purposes are rubber, tobacco, oils, gums, resins and turpentine. Rubber imports in 1926 reached a figure of $37,182,858, but declined to $26,671,064 in 1928 as a result of a falling off in business or the possession of accumulated stocks. Of this amount nearly $21,500,000 represent raw rubber used in large factories as already stated [52]. Here again, Canada purchases from the producing countries only a small portion of the rubber which she needs [53]. The United States and England, acting as distributors of raw rubber to the rest of the world, have in this case also monopolized this trade in the equatorial and tropical zones. Other Canadian imports classed under this heading are manufactured articles, chiefly from the United States, such as waterproof clothing, boots and shoes, transmission belts, tires, elastics, water hose and so on.

Tobacco imported in the raw state comes chiefly from the United States and Cuba. This raw material is admitted duty free and goes to numerous and important factories manufacturing tobacco, cigars and cigarettes. The manufactured product is protected by high duties [54]. Certain English, American and Egyptian brands of cigars and cigarettes succeed nevertheless in meeting competition from the home product, either on account of their superior quality or of their low price. In 1928 Canada imported

[52] See p. 52.

[53] Of the total imports of raw rubber ($21,344,791) the United States—which produces no raw rubber—supplied $19,294,420 worth and the Straits Settlements $1,420,407. There are no imports from Brazil or Africa and only very small ones from the Dutch East Indies, Indo-China, and other producing countries.

[54] Canadian tobaccos are mixed with imported tobaccos. They are not employed for all purposes, but principally for pipe tobacco and cigars.

tobacco to the value of nearly $8,125,000, of which six million dollars' worth came from the United States and about a million dollars' worth from Cuba.

Imported vegetable oils reached a total of ten and three quarter million dollar's worth. Some of these oils are used for food, others for industrial purposes only. The latter are much more important. Of the oils used for food, refined peanut oil is imported from the United States and China, refined cottonseed oil from the United States, and a small quantity of olive oil comes chiefly from the olive plantations of California. The consumption of olive oil, however, is not very important on the American continent, cottonseed oil, although of a less agreeable flavour, being used because it is cheaper [55]. As to the industrial oils employed in soap making or the manufacture of paints, these include especially palm oil, cottonseed, peanut and Chinawood oil. We also import a certain quantity of essential oils, principally from the United States.

Gums and resins were imported in 1928 to the value of over three million dollars. They include a large variety of gums used especially in the manufacture of varnish, such as elemi, copal, dammar, kauri, sandarack, chicle [56] and gum arabic [57]. All these products come to us from America although originally produced in other countries. Turpentine, produced in large quantities in Georgia and the neighbouring states, is sold to Canada to the value of nearly $1,000,000. Lastly, under the heading of vegetable products should be mentioned seeds and flowering plants,

[55] They are rarely sold under this name ; but are called table or salad oils or by some other non-compromising title.

[56] Chicle gum, used in the manufacture of chewing gum, which is an article of general consumption in America, is produced chiefly in Mexico. Canada purchases annually about half a million dollars' worth from the United States.

[57] Gum arabic comes chiefly from Egypt and Senegal and is used for making sizing, glue, etc.

bulbs and shrubs, for which Canada provides a steady market. In 1928 we imported over two and a quarter million dollars' worth of seeds, especially flax seed, clover, garden seeds, etc. These came from the United States, France, Germany and Holland. For the growing sugar beet industry, seeds were imported from Germany, France, and the United States. Plants, bulbs and flowers to the value of nearly a million and a half dollars came chiefly from Holland and the United States; a few also from England, Belgium and Japan.

Fibres, textiles and textile products.

In this category cotton and wool take the first place. Next in order come silk, linen and other textile fibres and their products, all with imposing totals. Cotton to the value of $58,332,542 was imported in 1928, of which the United States supplied over $40,500,000 worth, England $13,750,000, and other countries $4,500,000. These imports include raw materials for spinning and weaving as well as manufactured products.

Raw cotton imported to the value of over $25,500,000 was supplied entirely by the United States, whose importance in relation to this product is well known. Threads and yarn, totalling $2,500,000 worth, were supplied by American and English spinners. Cotton fabrics are sold to Canada chiefly by the powerful British industry, although its products are forced to meet increasingly strong competition in the Canadian market from American goods. Of the eight million dollars' worth of cotton fabrics imported to Canada in 1928, England supplied nearly four million and the United States three million. The same situation prevails in the case of unbleached and printed cottons, of which out of a total of $5,000,000 worth, $3,000,000 were supplied by England and $2,000,000 by the

United States. Other countries supplying cotton fabrics to Canada, but in much smaller quantities, include France, Germany, Belgium, Italy, Switzerland and Japan. The variety of these imports is very great, and includes in addition to those mentioned, duck, shirtings, flannelettes, bath towels, bed spreads, sheets, handkerchiefs, embroideries and lace. The imports of raw wool and woollen articles are also very large and in 1928 totalled $48,832,356. Great Britain, in consequence of the preferential tariff enjoyed in Canada, supplied the largest quantity ($37,500,000), leaving to the United States $2,500,000 worth and to other countries very much smaller quantities totalling $8,750,000. The supply of Canadian wool is inadequate to meet the demands of spinners, and raw wool is imported. In 1928 we purchased from abroad more than five million dollars' worth of raw wool. As in the case of other commodities, the largest portion comes from England (three million) and the United States (one million), countries which do not produce an adequate supply of wool for their own needs, and import annually large quantities. The raw wool, therefore, which these countries supply to us is purchased by them from the chief producers of the world : the Argentine, Australia, and New Zealand. One of the fortunate consequences of the trade agreement we have recently concluded with Australia will perhaps be that direct purchases of raw wool from that country will materially increase. This will, however, necessitate the appointment, on the part of Canadian spinners and importers, of representatives at the large auction sales held several times a year at Melbourne, Sydney, and Adelaide. Other raw material imported for the woollen industry in Canada includes woollen thread and yarn to the value of nearly $3,750,000, of which over three million comes from Great Britain and the remainder from the United States, France

and Belgium. England, in addition, sent us more than four million dollars' worth of worsted tops; the United States, Australia, France and Belgium supplied between them nearly half a million dollars' worth.

Woollen articles imported by Canada are very numerous and the majority are without doubt goods of a different quality from those manufactured in Canada, often better; or else they are special products of certain countries, or articles similar to those produced in Canada but which for various reasons are manufactured more advantageously in other countries. Among such goods may first be mentioned serges and worsteds, which Canada in 1928 imported to the value of $13,500,000. England alone supplied about eleven million dollars' worth and France a million and three quarters. Then come tweeds, an English specialty, of which Canada purchased over three and a quarter million dollars' worth. Other articles which might be cited, imported in much smaller quantities but nevertheless of the same origin, are woollen blankets, hosiery, shawls, socks, and stockings. We imported $2,345,285 dollars' worth of these latter articles, of which $2,268,070 came from England. To this list must be added underwear, women's and children's knitted goods, carpets and rugs. The latter include English carpets (Wilton, Axminster, etc.), as well as hand-woven Oriental rugs, imported, at least in part, direct from Persia or Turkey. It is interesting to note that these goods are in high favour in the Canadian market. Imports of rugs, all told, only amount to $2,800,000, but the use of rugs tends to increase, even in the rural districts, just as in the United States. At present these articles are high in price, but growing competition amongst foreign producers will probably change this situation and increase consumption. Rugs are in great demand but too expensive for many people. The produc-

tion of Canadian rugs is localized in Ontario, but in quality, design, and colour these rugs cannot be compared with European products. Silk and silk goods, of which the consumption has considerably increased since the War, were imported to the value of $29,963,007, of which total the United States supplied about $8,500,000, England $2,250,000, and other countries nearly nineteen million dollars' worth. Imports of raw silk, reeled from cocoons, totalled $5,073,511, almost all of which came from the United States (which produces no raw silk) while Japan sold us only a few thousand dollars' worth. Raw silk is used in ribbon factories located in Canada, as also are artificial silk threads, imported chiefly from Belgium and Holland, to the value of $1,750,000.

Amongst imported articles manufactured from silk the most important are silk fabrics, which come from the following countries (figures represent millions of dollars): Switzerland (3½), Japan (3¼), France (2½), the United States (2), and the United Kingdom (1). In the same category are silk goods (stockings, underwear, blouses, etc.) imported chiefly from the United States and France; velvets and plush (1½) coming from England (1) and France (½); ribbons from Switzerland (½) and the United States, France and England. Manufactured artificial silk goods were imported to the value of $6,000,000 chiefly from England (3½), Switzerland, the United States and France. Our consideration of textiles may be completed by referring to a certain number of fibres of which the most important are flax, jute and hemp. Of these, both raw and manufactured, we imported more than fifteen million dollars' worth, supplied chiefly by England (6½) and the United States (2¾). The rest comes from India, the only producer of raw jute; manufactured jute products come from England. France and Belgium, the

most important producers of linen, notably at Lille and Ghent, whose reputation is world-wide, supply hardly any to Canada, which purchases linen principally from Ireland. Binder twine, which is so essential to the Canadian harvests, is supplied to the value of nearly $2,250,000, chiefly by the United States and Holland (one and a half million). We import in addition a quantity of Manila hemp and sisal ($4,250,000 worth, of which four million come from the United States), also ixtle and kapock.

Iron and its products.

This item illustrates better than any other the general characteristics of Canadian foreign trade as described above, and also the severe competition from the United States to which Canadian industries are subject. Of total imports of iron, steel and derived products amounting to $259,573,668, the United States supplied $233,991,420. The rest was divided unequally between England (18 million dollars' worth) and other countries (7). As we have already seen, Canada is poor in iron ore and must import substantial quantities of this raw material. In 1928 she imported iron ore to the value of $2,890,000, of which $2,227,000 came from the United States (Lake Superior ore) and the rest chiefly from Newfoundland. In former years she imported a certain quantity from Algeria and Sweden. European countries which are rich in iron should attempt to develop their sales of this raw material to Canada, as it would furnish an excellent return cargo for vessels which each year take abroad enormous quantities of grain provided by Canadian harvests.

All other goods classed in this category are manufactured products. Among these are iron and rolled steel to the value of over $44,000,000, of which $36,000,000 worth

comes from the United States and $5,500,000 from England; machinery of all sorts to the value of $48,500,000, of which $42,500,000 worth comes from the United States and five million dollars' worth from England. Automobiles and spare parts are also included, reaching the handsome figure of $67,659,673, coming almost exclusively from the United States. Imports of this kind from other countries, notably England, were insignificant. The importance given to the manufacture and use of automobiles by Americans is well known. Canada, as we have seen, possesses assembly plants principally, the actual manufacturing being limited to a few plants only. Solely from the United States and in spite of important home production, Canada also imported agricultural implements to the value of $29,500,000 and automobile engines to the value of $11,750,000. In millions of dollars she also imported 4¼ worth of castings and forgings; tubes, pipes and fittings (3¾), wire and cables (3½), cutlery and hardware (4), iron and steel in pigs, ingots, blooms and billets (2). Products of the last five categories were supplied by the United States and England, but the latter often furnishes a very small proportion of the total imports.

Metals other than iron.

Of all other metals, or products of metals imported, copper is the most important (7,249,634 dollars' worth) and comes almost exclusively from the United States. The wealth of that country in this metal is well known [58]. Then follow brass and its products (5), aluminum (2), and, in smaller quantities, lead, zinc, tin, precious metals or manufactured products of these various metals. Among these manufactured articles we may especially notice

[58] On an average 60% of the world's annual output of copper comes from the United States.

watches and clocks imported to the value of nearly three and a half million dollars, of which more than a million and a quarter dollars' worth come from the United States and the rest from France, Switzerland and Germany; also electrical apparatus of various kinds, which reached a total of $19,000,000. These included electric light fixtures, lamps, electric heaters, ventilators, motors, rheostats, batteries, dynamos and wireless apparatus, of which the United States supplied over $16,750,000 worth. Among smaller countries supplying products of this kind should be mentioned Switzerland—which sells electric motors to Canada—and Holland, Belgium, Japan and Germany, which supply electric bulbs.

Other minerals.

This is a very important item and includes a large variety of very dissimilar products. Of first importance is coal (anthracite and bituminous) imported in 1928 to the value of $58,221,908, of which over $51,000,000 worth was American coal and a little more than $6,000,000 worth English coal. To this must be added coke, coming exclusively from the United States to the value of nearly $5,000,000. Then follow liquid hydrocarbons and their derivatives; crude petroleum, destined to Canadian refineries and imported to the value of nearly $30,750,000, of which, $19,000,000 came from the United States, $6,750,000 from Colombia and $5,000,000 from Peru; refined petroleum (kerosene) coming almost exclusively from the United States to the value of about $4,500,000; gasoline from the same country to the value of nearly $11,500,000 as well as lubricating oils to the value of $4,000,000. Clay products amounting to more than nine and a half million dollars come principally from England (4 million) and the United States (4). These are chiefly fire bricks and tiles supplied by

the United States, pottery and porcelain from England. With regard to these last named products France, Japan and Czechoslovakia are important, although far surpassed by England.

Among products manufactured from silica, glass in all its forms is the most important. In 1928 Canada imported these to the value of $8,129,616, of which the United States supplied $4,069,675 and England $1,331,305. These glass products include common window glass, plate glass, bottles, table ware, bulbs for incandescent lights, and lenses, all furnished principally by the United States, which in consequence of improved mechanical processes has greatly developed its glass industries during the last twenty-five years. For certain specialties, however, Germany (bottles), Belgium, England and Czechoslovakia (table ware and uncut crystal ware) as well as Holland (bulbs), compete with the United States. Window glass and plate glass come chiefly from Belgium and England, the former being more important [59].

There are other mineral products imported by Canada in smaller amounts. These are almost entirely from the United States with the exception of the following specialties: marble from Italy and Belgium; flint from France and Denmark; fine sand for glass factories from Belgium; barytes from Germany; diamonds from England, Belgium and Holland [60]. Canada is an important exporter of crude asbestos as we have seen, but she imports asbestos products to the value of $670,000, almost entirely from the United States.

[59] In 1928 out of 43,983,602 square feet of window glass imported by Canada, Belgium supplied 40,938,169. Belgium also supplied the largest quantity of plate glass, 1,649,972 square feet out of a total of 5,427,480.

[60] The three great world markets for diamonds are London, Antwerp, and Amsterdam.

Animal products.

Leather, hides, and furs are the chief animal products imported by Canada. Raw furs amount to $14,000,000 dollars' worth of which the United States supplies $12,500,000 worth, England $1,250,000 worth and the rest are from Alaska or prepared furs from France. Raw furs are destined for sale at the principal auction centres in the Dominion, the others are imported by Canadian furriers for resale to their customers. Two-thirds of the hides (14 million dollars' worth) suitable for tanning come from the United States, the rest from Argentina, Australia and New Zealand. Leather to the value of 6 million dollars comes from the United States (4½) and England (1½). The United States and England sell Canada boots and shoes to the value of three million; France sends gloves to the same amount.

Animal food products mentioned in Canadian statistics are salted and preserved meat to the value of 4½ million dollars, coming almost exclusively from the United States; milk products (6 million) chiefly butter from New Zealand and cheese from England, the United States, France, Italy and Switzerland[61]; eggs from the United States; dried and canned fish (2). Animal oils, fats and wax are imported to the value of $2,000,000 from the United States; these are principally fresh lard, tallow and other fats used in the manufacture of soap.

Live animals to the value of $2,500,000 are imported from the United States, chiefly horses and registered stock for breeding purposes; a few also from England.

Wood and its products.

Paper excepted, Canada imported in 1928 about

[61] These are luxury or special cheeses, Canada being herself an important producer and exporter of cheese.

$25,000,000 worth of wood and wood products of which the United States supplied $23,000,000 worth. These statistics include trimmed logs for railroad ties, and various woods for woodworking to the value of $14,250,000; the rest, totalling $10,750,000 represented wood manufactured into products, such as furniture, tools, doors, window frames, pulp and cork. With regard to paper and cardboard, Canada purchased $11,918,454 worth of which the United States supplied $9,167,711 worth and England $1,451,826. Included in this category are all varieties of writing paper, stationery, printing paper, etc., especially qualities not produced in Canada; photographic paper, cigarette paper (France), wall paper, paper bags, sacks, and cardboard boxes. Books and various printed works, magazines, maps, sheet music, etc., were imported to the value of $14,832,041, of which $12,000,000 came from the United States and $2,000,000 from England.

Chemical and allied products.

This category includes dyes and tanning materials to the value of $4,000,000 coming from the United States, Germany, Holland, Switzerland and England. These are aniline and other dyes derived from coal, vegetable tanning extracts, paints and varnish to the value of $5,000,000, chiefly from the United States, England, France, Germany, and Belgium; soaps and perfumes totalling $2,000,000, of which more than half come from the United States, England and France; drugs valued at $4,000,000 from the United States, England and France; celluloid, collodion and other products of cellulose from the United States; and inorganic chemicals (alum, aluminum sulphate, copper sulphate, potassium, soda, calcium, etc.) totalling $6,500,000, chiefly from the United States.

Miscellaneous commodities.

Various goods are included under this heading. Some of them are important, such as cinematographic films imported from the United States to the value of a million dollars; toys to the value of two million chiefly from the United States, Germany, England, Japan and France; phonographs and musical instruments to the value of nearly $2,000,000, chiefly from the United States; articles of jewellery from Germany and England; scientific and surgical apparatus, works of art, combs, brushes, buttons, etc., from the United States, Czechoslovakia and England.

* * * *

This short survey should be sufficient to give an accurate idea of our balance of trade in 1928. It appears very satisfactory if one considers the value of merchandise only. Our comparison of statistics, however, reveals clearly an enormous disproportion between exports of manufactured products and those of agricultural products as well as industrial raw or semi-finished materials.

CHAPTER III

THE PROBLEMS OF OUR FOREIGN TRADE

IN the preceding chapter we stressed the necessity and indeed the urgency of developing our export trade in manufactured products. In order to accomplish this task, we have to capture the markets of the outside world in the face of bitter competition. This is by no means easy. Some of our competitors in world markets are countries long accustomed to handling export trade, such as England, France and Germany. Others, such as the United States, are newcomers in the field, who nevertheless have quickly acquired a knowledge of the methods of their predecessors and have sometimes even improved on them. Yet in spite of this difficulty, it is possible for us to reach our objective by means of knowledge, initiative, tenacity, conscientiousness and methodical work. In fifteen years the Americans [1]—greatly favoured by circumstances it is true—have more than doubled their export trade in manufactured products. They afford us a wholesome example if only we are wise enough to profit by it.

The industrial status of Canada differs considerably from that of the United States. For many years our neighbours have suffered from a formidable crisis of overproduction. In our own case, however, although we already produce more than our scattered population can consume, we have still immense productive powers which are practically undeveloped. The problem that confronts

[1] Exports of American manufactured products increased from 724,908,000 dollars' worth in 1914 to $1,956,784,000 in 1926.

us may be stated quite simply. Shall we create and develop industries, transforming here in Canada the larger part of the raw material of our forests and mines, and then attempt to sell abroad our surplus of these manufactured products ? Or, on the other hand, shall we remain inactive, letting others purchase these materials from us, or worse still, allowing them to come here and manufacture goods in Canada for their own profit ? Surely we should have no hesitation in selecting the first solution, despite its difficulties. Moreover, even now our industrial production needs foreign markets. In endeavouring, therefore, to turn our trade in that direction, we shall help our country to dispose of its actual surplus. At the same time, as industrial developments occur in the Dominion, we shall be prepared to maintain our progress instead of hampering it. Such developments, we have every reason to hope, will be considerable and not long delayed.

But to sell abroad requires special organization and methodical study. The Americans, whose export trade in manufactured products has developed enormously since the War, have speedily adapted themselves to new conditions. The enterprising spirit and the self-assurance of American business men have led them on to success ; yet careful students of this evolution note that in numerous cases even they have not succeeded. No one, however, will deny that the United States is far better equipped than ourselves, especially in the commercial field. The scope and importance of some of the organizations placed by that country at the service of the exporter [2] show us what is required if we wish to assure for Canadian products an honourable place in the markets of the world. We ought to profit by the experience of other countries, and gradually set in motion the machinery which is indispensable for

[2] For discussion of trade organizations, see p. 259.

developing this trade, and so obtain for our industries loyal and satisfied customers in every part of the globe.

We may repeat that nine-tenths of our exports consist either of cereals or other food products, or else raw material for industrial purposes. In other words, we sell to other countries what they need either to feed their population or to keep their industries going. Obviously this is remunerative, at least for those engaged in the exportation of agricultural produce—cereals, meats, canned goods and so on. With regard to minerals, wood, and other raw materials, their export should be restricted as quickly as possible by the development of our primary industries. We shall not, however, discuss here the industrialization of Canada, because this book is mainly concerned with methods of marketing the products of industry and not with industry itself. Among the indispensable efforts required to give our country the industrial spirit she so sorely needs, none is more important or should be more strongly emphasized than the necessity of training capable men for the purpose [3]. In the past, it is true, lack of capital held back

[3] In an address given in New York on March 16, 1926, Secretary (now President) Hoover made the following statement concerning the reasons why the United States was increasing its exports of manufactured goods :

"If we examine the reasons why we should have been almost unique among nations in foreign trade recovery, I believe we can justly claim that it has been due to certain distinctively American accomplishments, and that in these accomplishments lies the confidence for the future. Our expansion of foreign trade is a part of our domestic progress, both socially and economically. And in this progress I would first mention the accumulative value of the intensified education, both elementary and higher, which we have been dinning into the American youth over the last 35 years. In this time we have multiplied our students in institutions of higher learning by 400 per cent. Today we have more than all the rest of the world put together. We have trained technical personnel in every avenue of production and distribution upon a scale vastly larger than that possessed by any other nation. We have realized from this and many other causes a great advance in business organization and a great adaptability to new ideas and to shifting demand.

many enterprises from making a start or, if established, from meeting outside competition. But this is not now a sufficient obstacle. Every day sees larger and larger amounts of capital offering themselves, either within the country or from abroad, for the creation of new Canadian industries. Our present need is for men—men capable of conceiving, creating and directing large and numerous

"Our work people have increased in education and skill. Above all they are largely free from the economic fallacy that restriction of individual effort increases the number of jobs. Our national unions have long since declared against such theories. We are reaping the benefit of some 600 industrial research laboratories, mostly established in the last 10 years. They are ceaselessly searching for inventions and for every economy in the use of materials and methods. Under the pressure of high wages we have ruthlessly revised our industry with every new invention. Beyond this there is a great and co-operative movement in American industry and commerce for cutting out waste in a thousand directions through improved business practice, through simplification of processes and methods. Furthermore, we have had a great advantage, which we must not deny, in that by volume production, made possible through a great domestic market, we have been able by repetitive processes to apply or focus every advance into standard commodities of high quality and low cost of production.

"The cumulation of these forces has increased our national efficiency to a degree which I hesitate to express statistically lest we appear to exaggerate. But I might observe that, by and large, while we have increased our population 16 to 17 per cent. in a dozen years, we have swelled productivity of the nation something like 30 or 35 per cent. Our farms produce 13 per cent. more with the same number of farmers as 12 years ago; our railways carry 22 per cent. more traffic with about the same number of men. We have tamed the kilowatt into the friend of man. We have now domesticated some 68,000,000,000 kilowatt-hours annually where we used 23,000,000,000 12 years ago. They increase output and decrease sweat.

"These are reasons why we are able to sell goods of high quality, produced under the highest real wages in the world, in competition with goods produced under lower standards of living. These methods are no secret. They are open to the world. But they are rooted not alone in technology, which can be adopted by all intelligent people; they are rooted in social conceptions which penetrate far deeper and which not only promise greatly for the future in our standards of living at home, but, of more pertinent interest on this occasion, provide the basic assurance of our continuing growth in foreign trade, both exports and imports. These are the fundamental forces which promise for us our share of the world's increasing demands even of competitive goods—if we keep them in motion."—*New York Commercial*, Nov. 4, 1926.

concerns ; men of sufficient vision, surrounded by a selected commercial and technical staff of helpers. Aided by a labour force of increasing skill such men might well lead to prosperity industries which today too often live only from hand to mouth. If we wish to place ourselves definitely among the exporting countries [4] we must create a new mentality amongst our manufacturers and traders. With some few exceptions they are not prepared for this type of business. Moreover, the majority, even of those who have succeeded in their industries or in the home trade, doubt the possibility of increasing the exportation of our manufactured products. Some of them even hold that we are unable to compete with other countries in the world market, that we are not prepared to export, and that it is useless for us to expend our energies in that direction [5]. This attitude is far too pessimistic. On the contrary, it is in the extension of our markets that we must find the remedy for the difficulties which our industries have met with since the armistice. Where can we find these markets? With our neighbours to the South, whose overproduction of goods similar to our own is overwhelming ? With England, where numerous factories have been closed for various reasons—and where, besides, there is no demand for many of the manufactures which we can supply ? No,

[4] This book is obviously not concerned with cereals, which are sold easily and are sought after by foreign countries. Our markets are always the same and the sale of these goods requires no special efforts on our part.

[5] The same arguments have been employed in the United States. No more than a quarter of a century ago, manufacturers in that country also believed that they could not meet competition from countries which paid low wages, because of the high cost of living in the United States, of costs of production, then high, of manufactures, and for many other reasons. The splendid results achieved since then by that country in the matter of export trade have proved such ideas to be absolutely false. On this interesting question the reader is referred to an excellent little work by C. C. Martin, *Can we compete abroad ?* (N.Y., 1926, published by the National Foreign Trade Council.)

not there. We must be on the look-out for more distant markets, more difficult of access perhaps, but where we can sell on the same footing as any other country.

The statistics mentioned above are suggestive, because they show the enormous proportion of products of the field, the forest, and the mine in the total of Canadian exports [6]. In the future we should put forth every effort to sell to foreign countries other classes of goods. Without injuring the export of our agricultural and forest products, it is to be hoped that during the next decade our manufactured products will reach a higher figure in our trade statistics. In this way we should enable our manufacturers to maintain and even to increase the production which for many years has been restricted, and so secure work for our unemployed. Our overpopulated cities could then return to the higher standards of living of pre-war times and agriculture itself would benefit.

Provided that they are sufficiently protected against competition from countries where low wages prevail[7], Canadian industries can retain a large portion of the home market. Still, the latter with its population of less than ten million people scattered from east to west of this vast Dominion cannot absorb our goods sufficiently to permit

[6] Altogether, according to statistics of March, 1928, about 90%.

[7] Mass production at a low price, which has an important effect on costs of production, is not, however, the only factor which it is necessary to take into account. C. C. Martin "*Can we compete abroad?*" (N.Y., 1926), writes that abroad as at home the same factors operate to create a demand and make sales ; "quality, prestige, price, friendship, influence, service, style, quick delivery, ability to sell, advertising, novelty, adaptability, production, habit, accessibility, and innumerable other factors. If we know how to sell we can meet conditions at home or abroad. The belief that at home we at least have the protection of a tariff wall, and a certain "dead line" below which prices cannot go, while abroad the "dead line" is the lowest cost of the lowest wage country and cannot be met, is disposed of first, by the wide range of production costs in this country, and abroad by the known fact that low-wage labour is inefficient and high-cost labour."

the establishment of powerful industries. If we wish to develop these and to assure them a future, we must at the same time provide them with a market. Such markets can only be found in distant areas ; it is necessary, therefore, to organize patiently and methodically our export trade. Let us turn especially to countries less fortunately placed industrially than our own—to the Balkan States, Russia, China, Africa, Central and South America ; to Australia, New Zealand, India, South Africa, and other parts of the British Empire in which we may be able to obtain tariff concessions.[8] Obviously there is nothing to prevent us from selling our goods in England, Germany, France, Belgium or elsewhere, when it is possible. These countries, however, are highly industrialized. There we have to meet strenuous competition, not only their own but that of their European neighbours. Such markets, then, should not absorb all our efforts. There is no reason why Canada should not secure to her profit a share in the other markets we have mentioned, if only our business

[8] American exporters exploit aggressively all these distant countries, and although selling large quantities of goods in Europe, they have increased in enormous proportions their exports to all parts of the world. The *New York Commercial* (Nov. 4, 1926) supplies most suggestive statistics, and adds :

"The growth of our manufactured exports is reflected in the marked expansion of our trade with those parts of the world outside of Europe. To European countries we sold in 1925-26 goods to a value only 62 per cent. above the pre-war average, representing a quantitative increase probably little more than 10 per cent. But our exports to non-European countries, in the aggregate, had nearly trebled, increasing 197 per cent. The gain was 344 per cent. in the case of Asia, 191 per cent. for Latin America, 321 per cent. for Oceania, and 281 per cent. for Africa. Rapid advance in our sales to practically all non-European countries has occurred even since 1921-22 in the face of Europe's progress in regaining her export trade. It may be noted that the slower growth in our shipments to Asia in the last few years is due to the stationary position of our trade with Japan and China, exports to the rest of the continent having gained heavily. Exceptional conditions explain the situation in regard to these two countries."

What Americans have done we also can accomplish by means of hard work and suitable methods.

men will develop trade as they should. Where quality and price are equivalent we can sell to Rumania, Argentina or the Orient on the same basis if not better than our neighbours to the South. We must, however, make the necessary efforts to achieve this goal, efforts which up to the present—with a few rare exceptions—we have not made.

We do not pretend that all Canadian manufactured products are exportable, or that they can meet American and European competition in all the markets of the world. There are, however, many Canadian manufactures which would have had as good a chance of being sold abroad as those of their competitors, if they had been sold through specialized and not through chance exporters. The articles themselves are not inferior, it is the methods of manufacture and of sale which need to be improved. Exporting is an art, or rather, perhaps, a science. We must therefore gain a real knowledge of that science. We must learn to build up export departments in close connection with our chief industries—this is indispensable because no organization designed principally for internal trade can successfully handle export trade as well. It is urgent that export houses sufficiently well equipped to handle the systematic marketing abroad of numerous and varied products should be developed. These organizations will easily find markets and assure the regular sale of our goods. We shall explain later the advantages which will follow the grouping of our exporters and manufacturers in co-operative schemes which have as their object the increase of their chances of success.

In a similar way, our processes of manufacture can be greatly improved. Raw materials ought to be purchased where they are cheapest ; that is to say, at the point of production and not through an intermediary country. They ought to be of the best quality, or at least of the

quality best adapted to the peculiarities of our production. No effort should be spared in manufacturing well and cheaply. This can only come about when our industrialists understand how much science can help them with regard to the basic needs of their manufacture. This help can take the form of one or more chemists and a laboratory in the factory itself ; or it can be supplied by means of contributions from specialized laboratories established for this purpose at our universities or institutions of higher commercial and industrial training. Moreover, the sales department should be as up-to-date and efficient as those of our competitors. Such methods will allow us, in spite of high wages, to lower our selling prices to the level of those of our rivals. It will be necessary for us to create, develop or modernize organizations for trade expansion, an indispensable means for making our products known abroad. All this will naturally require considerable effort. Admitting that an exportable surplus of our manufactures is available, we ought, by means of continuous and intelligent propaganda abroad in favour of Canadian products, to convince the foreigner that he can obtain goods just as advantageously from Canada as from the United States.

There is also room for improvement in our methods of sale. We must offer only the goods demanded. For this a careful study of markets is essential, leading to a choice of those which are favourable to us rather than those where our chances of success are limited. This search for markets should be made cautiously on scientific lines. It will therefore be advisable for us to organize what Peterson[9] calls "commercial research", that is to say, an organization which is powerful, active, ever ready to help the exporter, giving him information which will enable him to place his products in suitable foreign markets.

[9] C. W. Peterson. *Wake up, Canada !* (Toronto, 1919), pp. 246-252.

After the markets are found and captured, the next task is to hold them. Our exporters should be well informed, sufficiently educated, endowed with special qualities of initiative, and methodical abilities which will enable them to keep a close watch on our competitors. They ought to be enterprising, audacious even, letting slip no business opportunity which presents itself. They should study more carefully the methods of other countries with which Canada finds herself in competition. Certain of these methods have been tested, and without slavish imitation can be adapted to our mentality and also to the special conditions of trade in this country. Moreover, laws and regulations have been established ; there has in fact come into being a "code of exportation" to which it is wise to conform. We entered into the struggle at a late date, but, as we have said already, this fact enables us to profit, if we will, from the experience which other countries have often dearly acquired. This represents a valuable sort of capital placed at our disposal and we should make a grave mistake if we neglected its importance.

Briefly, if we wish to export, we must overcome the timidity and lack of confidence in ourselves which are so plainly evident in the attitude taken by a large number of our traders toward problems of exportation. Many of them, unfortunately, do not believe in the possibility of Canada becoming a great manufacturing country, but, in addition, the indifference of some of them is so great that they shut their eyes to the fact that even to-day Canada exports numerous manufactures to countries strongly developed industrially, such as England.[10] We have

[10] See a valuable article with suggestive illustrations of this short sighted mentality. C. Howard Smith, *What Canada must do to extend her export trade. Industrial Canada,* May, 1923.

shown elsewhere [11] the setbacks to which many of our manufacturers were subjected owing to the sudden stoppage of orders after the armistice which followed on the rapid expansion of their exports during the war. The exaggerated optimism of many business men changed after this period of extraordinary prosperity into a radical and extremely dangerous pessimism which it is necessary to combat. Frightened by failures, although these were inevitable and indeed predicted by all well-informed and disinterested observers, they have been afraid to make new attempts at industrial development and to increase their trade with foreign countries. The future of our country, however, demands efforts and sacrifices in this matter. "It is necessary to create, it is necessary to produce. Our hope of fortune *par excellence* is production", says Blondel [12], and this is as true of Canada as of France. The only reservations in this matter refer to the methods which are essential to such a development. In our own interests the industrialization of Canada ought to take place rationally and progressively. Before everything else, as we pointed out in 1922, it must come about as the result of a normal extension of our markets and not be provoked by a purely momentary and fortuitous demand [13].

How then can we bring about this development of our export trade ? This is what we shall attempt to show in the following pages.

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[11] H. Laureys, *Le Commerce extérieur du Canada. Revue trimestrielle Canadienne* (Montreal, 1922). This is a valuable survey of important factors in the development of foreign trade (Translator's note).

[12] G. Blondel, *Remarques sur la situation économique et financière*, Oct., 1921, *Bulletin de la Société Belge d'études et d'expansion.*

[13] *Le Commerce Extérieur du Canada, op. cit.*, page 8.

CHAPTER IV

THE ORGANIZATION OF OUR EXPORT TRADE

I. Commercial Education.

FROM what has been said, it will be admitted that it is not so easy to export goods as one might at first sight believe. More than one Canadian, whose appetite was whetted by the ease with which he exported what he wished from 1915 to 1919, has learned this to his cost. The operations in themselves are not more complicated than those connected with internal trade, but the transactions are carried out at a distance and the risks are much greater. It is necessary to act with prudence and to protect one's own interests by means of guarantees which would not be necessary in internal trade transactions. To all the general knowledge which the modern business man must possess the exporter must add, for example, a thorough acquaintance with foreign languages, the commercial law of other countries, foreign exchange, banking and other subjects, particularly in their relation to the country with which he wishes to trade. He must also know thoroughly the economic and human geography of that country. All this requires a broad liberal training, and also the making of independent studies each time the exporter wishes to open a new market. In addition, the larger export houses frequently have heads of departments specially trained for the purpose of dealing with particular products or regions. In all countries those who have studied this problem have arrived at the same conclusion as to the necessity of these requirements.

In Europe, Mr. Pavie[1] states that "the agents for export trade called upon to act as intermediaries between the home producer and the foreign purchaser, can only fill their rôles with success if they have received a thorough training before starting on their task. This is more necessary today than ever. As a consequence of the crisis which has upset the entire world, commercial competition between nations has become singularly keen. In the various markets, the soonest in the field and those to whom the monetary situation of a country offers special facilities as to the fixing of prices, have speedily established themselves. An export agent who wishes to meet successfully rivals already established, must have a thorough background. He must be intellectually and physically active, and possess determination and energy in order to overcome obstacles. Beyond doubt, those physical, intellectual and moral qualities which are natural to some men, are the foundation for a general training which, however, merely develops and perfects them. But a technical training is not without value, and it directs these qualities much more effectively if the education and instruction given in earlier stages preceding any kind of specialization have been really thorough." In writing this, Mr. Pavie had in view only the agent, that is to say, the individual who goes abroad to represent an export house, but the requirements are the same—perhaps even greater—in the case of those who have to manage an export house or one of its departments.

The Americans, whose export trade has increased so remarkably since the War[2], have been quick to sense the chief difficulties . The countless problems which their inex-

[1] A. Pavie, "La formation technique des agents pour le commerce d'exportation" in "L'Expansion Economique", No. 5 (Paris, 1921).

[2] The export trade (only goods produced in the country) of the

perienced exporters have had to meet, and the scarcity of capable employees for export departments from which all their large houses have suffered, are reasons which have led them to discuss at all their foreign trade conventions the question of the technical training of the exporter. The universities [3] and the schools of commerce throughout the country have organized at the request of exporters special

United States has fluctuated as follows :

	(MILLIONS OF DOLLARS)
1910	1,710
1914	2,071
1916	5,422
1918	6,047
1920	8,228
1922	3,831
1924	4,590
1925	4,818
1926	4,711

The curve indicates as in the case of Canada a considerable increase in exports in the years of the war and post-war period (1915-1920); since then stabilization has taken place but the statistics remain much higher than in 1910, indicating a remarkable increase in American export trade in 16 years.

[3] A typical programme is that of the special courses of Foreign Trade given at the School of Business of Columbia University (New York) for external trade purposes.

Banking	Foreign Exchange.
	International Banking.
	Foreign banking systems.
Geography	Problems in economic geography and foreign trade.
Marketing	Foreign trade : Developing the business.
	Handling the business.
	International trade in staples.
	Merchandising practice in foreign trade.
Transportation	Railroad transportation.
	Ocean transportation.
	Export and import traffic management.
	The port of New York.
Insurance	Carriers and Contracts.
Languages	English, French, German, Spanish.
	Oriental languages, etc.

It is intended that these special courses shall be open only to students who have already taken numerous general courses in commercial and economic subjects.

courses stressing the technique of export trade, combined with the general arts courses [4]. The majority of the larger universities of Europe had already in pre-war days organized numerous courses in the technique of international trade.

In Canada, besides the general courses of economics, commerce, and finance provided at the School of Higher Commercial Studies of Montreal as well as in the faculties of commerce of the English-Canadian universities, there were organized in 1923 and 1924, at the request of the Federal Department of Trade and Commerce, special short courses extending over two or three weeks, dealing with the theory and practice of foreign trade. These courses were intended chiefly for employees and heads of departments of industries interested in exportation, and were given at Montreal (both in French and English) and at Toronto [5]. They had only moderate success and have not been given again since 1924. The lack of enthusiasm with which this initiative was received by business men was another indication that they were still unconvinced of the immensity of the field of action which they were neglecting, even though at the time they could only sell with difficulty their goods in Canada.

University training is, however, not enough. Theoretical knowledge must be accompanied by practical work and office experience. Moreover, the trained employee who aspires to the headship of a department in an export house, and especially if he wishes to become the export manager of a large firm, should have to make visits of sufficient length to foreign countries in order to familiarize himself with the ground on which he has to meet his customers.

[4] Especially modern languages, history, geography in all its forms, that is to say the study of markets.

[5] The lectures at Toronto were published in *Foreign Trade Principles and Methods* (Toronto, 1924).

Even after he has become a manager he should arrange his work in such a manner as to allow him to absent himself at regular intervals and visit the foreign countries with which he does business.

Here is what the sales manager[6] of an American industry whose products are met with everywhere, has to say on this subject : "Such a man who prepares himself for the export business should, as soon as he is acquainted in a general way with the line of goods of the manufacturer, be sent to sell goods in the territory for the purpose, not merely to sell merchandise, but to get acquainted with the customers and with conditions in the various countries with which he will do business. When this man returns to the office, he will be able to produce better results, far in excess of what could be accomplished by many years of continued correspondence without personal acquaintance, and will be fitted to maintain friendly business intercourse."

The Germans, past masters in the art of exportation, have at their disposal in all their large export houses at Hamburg, Bremen, and elsewhere, employees and heads of departments who have worked in all four corners of the earth, often beginning their careers simply as volunteers without remuneration. The English, who, for many years, at least up to 1914, had only a few formidable competitors, such as Germany, in the world, had also persistently recruited the major portion of the personnel of their export houses from young Englishmen who had lived abroad. This practice, however, is less prevalent in England now ; for, in that country, where nearly everyone is in business or trade, the young Englishman familiarizes himself from childhood with commercial practice such as is little known

[6] D. E. Delgado, Export Manager of Eastman Kodak Co., in the Official Proceedings, Sixth National Foreign Trade Convention, 1919, p. 97.

in other countries. Still, even if he lives in surroundings favourable to the development of a commercial instinct, the young Englishman who has not left home rarely learns foreign languages, or learns them badly. This is in itself a great handicap in the struggle against other nations who do not suffer from these gaps in education. As a result of competition from Germans, Americans, and others, the English have for some years attempted to remedy the situation by encouraging study and travel.

For ourselves, if we wish to compete with others we must be properly equipped for the purpose. The first thing to be done is to give to our young men the indispensable intellectual background. If we cannot for the moment, after the example of American universities, organize in our institutions of higher commercial training, special sections devoted entirely to foreign trade, we ought at least to establish a series of courses in economics and commerce which will serve as a solid basis for individual studies which a graduate may make subsequently on his own account and according to his particular needs [7]. When our industrial development and the increase of our export trade have improved the future prospects of our specialists, it will be time enough to complete our present system of higher commercial education by adding specific courses in international trade. But in the meantime we ought to neglect nothing which may supply our future business men, exporters and manufacturers, with the type of background they sorely need and without which, in these days, success is unattainable. In this connection we may remark that it is not only in higher commercial education that improvement is needed. If this type of educa-

[7] It is with this end in view that at the School of Higher Commercial Studies in Montreal courses in economic geography, technology, and the study of raw materials, commercial organization, and others are offered.

tion is of special importance in this country it does not stand alone. It aims at training the commercial *élite* of which we have great need, but in consequence it addresses itself to a limited fraction only of the population. We cannot make satisfactory progress until we are able to supply a more advanced general background to the rank and file of our people. Our primary schools and high schools, therefore, ought to be guided towards this objective. It will probably be necessary for us to modify our curricula as well as our methods and especially to direct them firmly towards a more liberal education [8]. People must admit the necessity of a more methodical, more efficient and in a word more scientific kind of commercial organization. This can only be accomplished if the people themselves are sufficiently educated to understand its importance. For that reason, besides managers and heads of departments trained in universities and possessing the knowledge which the complexity of modern business demands, we must bring into being a legion of capable employees whose training is sufficient to enable them to give efficient help to those in command. Such men can only be supplied by secondary commercial schools. We must also set on foot a really adequate system of technical training, gradually developed, logical, and well co-ordinated in all its stages. Such training will supply us with competent workmen, foremen, factory heads, engineers and manufacturers, all equally reliable in their respective spheres. Good craftsmanship and careful work accomplished in properly managed and well organized factories should assure for our products the quality which will make them appreciated at a cost sufficiently low to meet the competition of other countries.

[8] See H. Laureys, *Notre Enseignement Commercial et Technique, L'Action Française,* Sept., 1921, pp. 514-545. This article has especially useful information about the work of the School of Higher Commercial Studies at Montreal.

II. The Technical Organization of Export Trade.

By exporter we mean a person who, whether manufacturer or trader, occupies himself continuously with the sale of home or other products in foreign countries. Export trade, therefore, has need of a special organization, which is:

(1) an export department in Canada, and

(2) a sales department in the foreign country.

Up to the present only a small number of Canadian firms have put into full operation such an organization. Apart from the current sales of munitions—demanded of us by the Allies and therefore sold without effort on our part—we have made only timid attempts at exportation, working without method and spasmodically. Very few Canadians have made export their chief occupation or have considered it of sufficient importance to create for it the above-mentioned organization for exportation purposes, which being methodical and complete is rather costly in consequence.

Meanwhile the results are quite haphazard. More than one Canadian exporter owes his lack of success to the absence of such assistance. An organization for internal trade purposes, no matter how efficient it may be in itself, cannot successfully handle and develop exports. As we have already shown, a personnel is required which is accustomed to deal with the thousand and one special complications which arise in such business transactions ; and such a personnel, we insist, cannot be supplied without time and experience for its creation, because few of us have at the present time the necessary background.

It is better, however, for a manufacturer, whatever his initial difficulties may be, to organize his own export department, rather than to place his trade in the hands of a broker or an export house. The latter have their uses, as we shall presently see ; but their intervention increases the cost of the goods exported and robs the manufacturer

of the advantage of direct trade relations with his customers, with whom he ought to get acquainted so that he may attach them commercially to himself. In the United States, all the larger firms have export departments.

The manufacturer who exports ought, obviously, to make a special study of the market which interests him. He ought to arrange his publicity, organize his sales, acquire information on transportation, satisfy himself as to the solvency of his customers, and also as to methods of collection ; in a word, he should interest himself in all the details which are handled by brokers and export houses. The latter usually take delivery of the goods at the factory and conduct all the remaining transactions. This method is easier for the producer, but less advantageous to him. In the case of large industries, the export department ought to be organized separately and supervise all the details of the exporting side of the business. Where a factory of modest size is concerned, the various transactions, at least at first, can be carried out by the existing departments for internal trade, but under the direction of a specialist accustomed to this kind of business. Very small factories should, of course, deal through a broker.

The choice of a suitable export manager is a delicate task, for it is a matter of supreme importance to a manufacturer, one on which depends in no small measure the success of his enterprise. Preciado[9] writes on this subject : "Although the field is quite full of applicants for the position of export manager, the manufacturer will find not a little difficulty in obtaining a competent person to fill the bill. In New York City alone there are hundreds of young

[9] A. A. Preciado, *Exporting to the World* (New York, 1920), Vol. 1, p. 25.

men whose only claim to consideration rests in their ability to speak and write a foreign language. This is not enough. A successful export manager should be more than a linguist. He should be a student of countries, market conditions, political developments in foreign countries, and, above all, a commercial diplomat. Moreover, he should be a gentleman in every respect, as he will come in contact with buyers from foreign lands whose degree of culture and learning may be surprising to the provincial American business man. As an export manager is expected to transact a large volume of business through correspondence with customers he does not know, it is of prime importance that he be particularly skilful in dictating letters and in avoiding certain expressions in his correspondence so common to the American business man of average intelligence. For the young man who is seeking a career which may grow with America's export trade, here is an opportunity which should exercise his initiative and enterprise to the fullest extent, and consequently bring adequate financial returns."

Having found a competent manager, the next step is to organize the export department itself. In the case of export houses which are independent of factories, one should distinguish between the house which is merely a brokerage concern, and one which purchases goods from producers and sells them to foreign customers on its own account. This latter type requires large capital and is therefore less common than the former, in which the broker merely acts as a middleman, working on a commission basis in connection with the receipt and transmission of orders, the settling of questions of transportation, insurance, collection of accounts and even in return for a modest supplementary commission (known as "del credere") making himself responsible for the solvency of a

customer. In the case of an export house making purchases in its own name, the manufacturer's risk is reduced to a strict minimum ; he becomes in fact quite anonymous. Often exporters of this class purchase the entire output of a factory and brand the goods with a trade mark of their own.

The broker has his agents in foreign countries. From them he receives daily orders for goods which he passes on to manufacturers who can supply what is asked for. The organization of his offices is not a complicated affair, consisting in the main of a correspondence department and small sample rooms. Freights, insurance and other formalities connected with the shipping of goods are settled either by himself personally or through forwarding agents who specialize in such work. It is evident, therefore, that this class of trade is simple ; it suffices for such a purpose to have good connections in foreign countries and at home in order to build up in one's own country a flourishing business whose risks are not great. The broker usually handles goods of various kinds, but in many cases specializes in goods of one kind. The latter is the more promising type of business.

Quite different is the case of the export department of a large factory, or the organization of an export house. In these two cases all the responsibility falls on the shoulders of the exporter himself. It is therefore essential for him to create a special department for selling abroad and for purchasing in the home country should the exporter not be himself the manufacturer. To this he must add various departments—a financial department, an advertising department, an information bureau ; and, lastly, a shipping department. A word as to each of these and their relative importance.

The sales department certainly stands first, for it

maintains direct contact by correspondence with the foreign customer. The main activities of the business depend on the energy of its head and on his knowledge of foreign markets. In this department it is far from sufficient to reply to the foreign customers' orders ; a constant lookout must be kept for new business. The widest latitude should be allowed to the heads of such a department. Every employee should know more than one language, several if possible ; a knowledge of English, French, German and Spanish being the usual requirements.

The purchasing department exists only in the case of export houses which purchase or resell on their own account, and is frequently combined with the sales department. Purchases can either be made on receipt of an order from abroad or in advance at a moment when the buyer judges prices to be most advantageous. Sometimes an export house possesses large stocks of goods, especially if it wishes to hold a monopoly of certain industries and therefore purchases by contract all or at least the major portion of their production. In co-operation with these two departments, a sample department must be provided. The latter should maintain at the exporter's office collections of the products handled, carefully labelled and bearing distinctly the manufacturer's trade mark. In some cases catalogues may take the place of samples. Similar samples and catalogues should be supplied to foreign purchasers. When the exporter does not possess a market exclusively, and desires to protect his monopoly amongst foreign customers, it is advisable to issue special catalogues in which the manufacturer's name does not appear.

The financial department consists of two large divisions: the former dealing with credits and the financial standing of customers, the latter with accounting. When an export department is created by a manufacturer who also carries

on internal trade, it is possible and in fact advisable not to separate the two. The finance department already functioning for the needs of internal trade can, by increasing its personnel as circumstances arise, take over in addition the work connected with external trade. The heads of this department should be cautious men, securing their information from reliable sources. Commercial agencies—such as Dun's, Bradstreet's and others—can supply information regarding all countries. It is preferable, however, to get into touch, when possible, with federal trade commissioners or branches of Canadian banks established in foreign countries. Acting on information obtained, this finance department has to determine the conditions of payment and also the terms of credit, which will be long or short according to the financial standing of the purchaser. Canadian exporters, as a rule, require part payment against documentary draft on delivery of goods. This method offers less risks, but does not always secure a maximum of sales. When the sales department has completed a transaction it passes on to the accounting department the terms of the contract. The accounting department invoices the goods and prepares drafts for attachment to shipping documents. It is also the financial department of an export house which has to settle the accounts sent in by the factory supplying the goods.

The publicity department is of supreme importance if one wishes to launch a product of one's own manufacture on a foreign market. Here again it is necessary to be prudent in the choice of personnel for the work. It is true that developing publicity in a foreign country may not be harder than in one's own ; at the same time it is well, if one wishes to succeed, to take into account the national characteristics of the people to whom the publicity is addressed. It follows that the psychological element is of

first importance and that the head of this department should have a real knowledge of the country, the language and the national customs of prospective purchasers. It may be better for this department to conduct its publicity through the medium of publicity agents already on the spot, and to get assistance and advice from agents in the foreign country. These agents will be the first beneficiaries of the publicity made in their territory. The head of this department should also be in a position to assess the value of proposals made to him, in order that he may work out on sound lines the necessary budget and use it to full effect. Many books, it is true, discuss these points, but the basic theory they provide, though essential, requires as a complement the personal inquiries of heads of departments and the careful analysis of all statistics and information available on the market in prospect.

In America especially, methods of advertising goods one wishes to sell are exceedingly numerous. They include advertising in newspapers and periodicals, posters, electric signs, street car and autobus advertisements, cinematographic films, slides, shop window displays and smaller glass show cases in stores or in the lobbies of large hotels, peddling or mailing of samples, various gift articles, sending of circulars, catalogues and so on. All these varied methods of advertising are excellent and well-known to us, but in foreign countries they should only be used when all the varying circumstances regarding the goods and the countries where it is proposed to sell them have been taken into consideration. An example will readily illustrate this. In Canada we are accustomed to posters of large size (10 x 20 feet), a single one of which covers a whole bill-board in our streets or along the tourist routes. In France and England this is not customary. Posters there are usually small, rarely more than 3 x 6 feet. Our large

posters, therefore, would only find a place with difficulty either in the streets or in the railway stations which, in Europe, are crowded with advertisements. In certain countries, again, newspaper publicity is only possible through the medium of local agencies, against whose monopoly we should only strive in vain.

These points are merely singled out in passing, in order to show their importance, since to develop them fully would carry us too far outside our subject. Moreover, those who are interested and wish to go more deeply into the question can find all details in special works on foreign advertising, of which there are several [10]. But in support of our remarks in general on this point, it will be of interest to quote the advice of the manager of the export department of a large American house whose fountain pens are sold all over the world [11] : "Success in foreign advertising depends" he says, " upon intimate knowledge not only of the markets, but of the varying character and operations of the merchandizing agencies established in each market. As the domestic advertising manager is very rarely able to keep in close contact with these details of foreign merchandizing, it has been my experience, and that of many other export managers, that supervision of foreign publicity should be conducted from the export department itself, where there is one, and that the export manager should be in constant intimate touch with and conrolt of all foreign advertising, even though the actaul execution of it be delegated to an assistant. The export manager should have frequently presented to him a resumé report of the status of foreign advertising in its relation to the appropriation."

[10] See bibliography.

[11] P. R. Mahoney, of the Wahl Company, New York (Manufacturers of Eversharp Pencils), in his address to the 11th Convention on Foreign Trade held at Boston in 1924 : Official Report, p. 333.

With regard to the information bureau, its development varies considerably in relation to the importance of the business. Small concerns may be satisfied with a filing cabinet in which all the information they can obtain is classified by countries. In the case of larger firms [12] special libraries, and commercial and technical reviews, in more or less abundance according to financial circumstances, should be added to files. Such libraries, accessible to employees of the house, are of inestimable value in the hands of a competent exporter. Public libraries [13], provided they are well stocked and properly supplied with current commercial literature, can afford similar advantages to business men in general. As to the classification of information received by the exporter, systems vary and should be adapted to the needs of each particular business. It is preferable that they should be arranged in files and indexed according to countries. The divisions vary infinitely and each should be adapted to its own peculiar

[12] An article appearing in 1920 in the *Review of Reviews* ("*Why business houses are developing libraries*"), informs us that in the United States certain large houses place at the disposal of their personnel voluminous commercial and technical libraries. The Guaranty Trust Corporation of New York, which is a bank, it is true, but whose interests in foreign trade are considerable, possesses a library of more than 20,000 financial and economic works and about 40,000 pamphlets. It receives regularly 400 newspapers and business periodicals.

The Metropolitan Life Insurance Company of New York has organized for the benefit of its employees an economic and commercial library of more than 32,000 volumes, periodicals and brochures.

[13] Public libraries in Canada are far from adequate from the point of view of studying foreign trade. In Toronto, library facilities are scattered and no direct attempt to bring together the available information necessary for foreign trade or to build up additional and adequate facilities has as yet been made. The importance of this work towards an expansion of foreign trade cannot be over-emphasized—university teaching, research activity and the work of private exporters are all seriously restricted by this handicap.

In Montreal the library of the School of Higher Commercial Studies, which is described further on, has concentrated on foreign trade. It is probably the only library of its kind in Canada at the present time. (Note of the translators).

needs. The classification, however, must be methodical and the information clear and precise. One should be able to find without difficulty statistics on the imports of foreign competitors in the country concerned, details as to population, commercial centres, business customs, harbours and the various regulations regarding them, methods and costs of internal transportation and, if possible, information concerning large firms with whom it would be advisable to enter into business relations.

The shipping department is concerned with all that has to do with shipping, transportation and insurance of goods. This department should be in constant touch with the sales department, to which it must furnish without delay all information required for quotations on goods c.i.f., the only logical manner of offering goods for sale abroad.

These export houses and brokers are in every country the indispensable intermediaries between national industry and foreign buyers. They have always played an important rôle in the development of export trade in England, Germany and the United States.

III. The Study of Markets

No export business can flourish unless the manager has a sound working knowledge of the markets with which he intends to trade. We have discussed in a general way the training of the manager of the export department ; but it is abundantly clear that in such a department every employee should have this kind of training, if not in the same degree, especially the manager's assistants and executives—all, in fact, who are actively engaged in the business transactions. Besides, it is to the interest of such men to train themselves along these lines if they desire, later on, to become heads of departments. An industry starting an export department, or an independent export house, must be prepared

to pay any price to secure the best manager it can find. Preference should be given to a man who has already had several years' experience in a similar business. It is of less importance that he should have an extensive knowledge of the article to be exported ; indeed, all he really needs to know on this subject he can acquire by spending a few days or weeks in the factory. The most important point is that he should be thoroughly well acquainted with export business and should have a genuine knowledge of the countries with which trade is to be carried on. Men of this special type are not always easy to find. For that reason, once the business has been started, it is advisable to appoint only—even in the minor positions—young men who have sufficient preliminary training to enable them to become familiar by degrees with every detail of the specific export trade in question, and so to attain higher posts of trust and responsibility. We have already stressed the importance of sending these men abroad from time to time. Our main reason in recalling at this point how absolutely necessary it is for an exporter to possess the best possible cultural and commercial background, is because it must be evident that, in the study of markets, real results cannot be obtained unless the manager or the employee has been so trained that he can conduct an enquiry in a satisfactory manner and can extract from books and reviews all that is needed in the way of analysis and synthesis. Studies of this kind must be exhaustive, based on authentic sources of information ; for if merely superficial or, still worse, erroneous, they are valueless. The exporter, then, should first make a personal study of the country in which he wishes to sell. A knowledge of economic geography is therefore of great importance and is, indeed, indispensable to anyone who wishes to export intelligently. He must be thoroughly well acquainted

with the world-production of the articles in which he is interested, and then he will have sound ideas concerning them in relation to the particular country on which his efforts are to be concentrated. He will not lose precious time or waste his energy ; nor will he dissipate in travel and other expenses in countries where there is no market, sums of money which could have been usefully employed elsewhere. Next, he must attempt to find out his chances of success against foreign competitors. He ought to know therefore, exactly what his customers want and what his competitors are offering them. The best way is to secure samples of these foreign products and to examine them carefully in order to determine whether he can produce a precisely similar article or whether he can make a better one and at what price. Very often the sale will depend on the price, although there are some markets and certain classes of merchandise for which the question of price is not so important. The appearance, quality, or other characteristics more appreciated by customers, may induce the importers to prefer a higher-priced commodity to that of competitors. In such cases, however, the articles are not as a rule such as appeal to the masses, and the chances of selling in large quantities are reduced in consequence. The consul of a foreign country to China has written on this subject [14] : "If one wishes to export with success to China, one must keep in mind this characteristic feature of products desired by the Chinese : low prices are more important than quality, and the article, to increase its chances of success, ought to be presented in such a way as to flatter the tastes of the natives. One must not by any means neglect the instructions of the purchaser, and always offer clean, neat goods, well prepared and well packed in order to give to the Chinese the certainty that

[14] Rec. Cons. Belge, tome 161, 3d liv., p. 334, Brussels.

he purchases at a reduced price a product of superior quality. To offer low priced goods is the indispensable condition to do business in China. Natives will never purchase goods at a high price, even if it is proved to them that they are of superior quality. This is what German manufacturers have understood perfectly in throwing on the market innumerable cheap articles, well presented, well labelled, pretty, which fascinate the Chinese to such a degree that they are compelled to purchase them."

Finally, the exporter ought to be thoroughly informed as to the terms and conditions on which sales can be made in these countries. He needs to know whether the proposed transactions will be remunerative in any case, or whether he must find some means by which the quantities sold will be so considerable that, given a small profit on each article, a whole year's operations will be advantageous. Where and how can the exporter acquire this information ? The first part of the task ought to be done in Canada, the second in the country whose market interests him.

Sources of information are official or private. After making a careful study of the country from the geographical point of view, he can complete the work of gathering information and can obtain explanations of questions which may puzzle him, by writing to the consuls of foreign powers accredited to Canada, or to Canadian trade commissioners, if any are established in the country. The Federal Department of Trade and Commerce at Ottawa [15] has in its possession stores of commercial information which it freely places at the disposal of all who are interested.

The consular staff of certain countries gives remark-

[15] A later chapter deals with the assistance given by the government to the exporter.

able service to exporters in this connection. Below is an example of a list of questions [16] contained in a letter sent, some years ago, by a United States consul to numerous business men in the district where his duties lay :

(1) What American goods have you in stock ?

(2) Do you purchase directly from the American manufacturer or exporter ? If not, do you wish to be put in direct communication with American houses selling goods similar to those you have in stock ?

(3) Is the quality of the American goods which you have purchased satisfactory ? Is the merchandise carefully packed, and are the terms and conditions of payment satisfactory ?

(4) Can you give any information as to type or quality of goods which might better meet the needs and particular tastes of your customers ?

It is evident that if questionnaires of this kind are properly drawn up, and if the answers are sent to interested manufacturers, this plan may be of real assistance to exporters.

By private sources of information we mean the exporter's personal study of commercial periodicals and trade journals published in the country with which he wishes to open up business relations, particularly any which specialize in the kind of goods he exports. Special libraries which receive regularly periodicals of this character would be most useful to him, as also commercial museums and information bureaux attached to these. All this material should be carefully classified and indexed as explained above.

Convinced of the possibilities of a market, the exporter must pursue his investigations on the ground itself. If

[16] A. Jourdain, *Comment Exporter?* (Liège, 1920), p. 24.

he has time, he ought himself to visit the country in which he hopes to develop a new market ; but if not, he should send a well-informed representative in whom he has confidence [17]. Such journeys very often have the disadvantage of being long and costly, but on the other hand there are compensating advantages. For instance, they enable the exporter to verify on the ground the accuracy of the information he has already collected, and to make it more complete ; they also facilitate meetings between business men, and allow the exporter to get acquainted with his future customers. This is important, for it is undeniable that business can be carried on much more easily between persons who have met and know one another. Throughout the length of his stay in a foreign country, the exporter, living at a hotel or elsewhere, has to mix with people. Everyone will admit that there is no better way of getting an accurate knowledge of the tastes and customs of the inhabitants. An exporter who has obtained first-hand information of this kind will avoid mistakes common to persons who are content with approximations, and who, in consequence, often lose valuable time attempting to sell in a country goods which are not wanted or for which the demand cannot increase. Why, for instance, should a man try to export razors to China or wine to the United States ? For many years the Germans have understood this very well. By every possible means they have always

[17] Mr. Thomas W. Pelham, sales manager of the Gillette Razor Company, whose products are known all over the world, writes on this subject : "Without first-hand knowledge of foreign countries it is almost impossible to develop the potentialities of foreign markets to their maximum extent. We have never hesitated to send our men into any country in the world to gather this knowledge and to study carefully the conditions in that particular country. This allows us to lay our plans at least with some degree of intelligence. Four of us have circumnavigated the globe, and there is, I dare say, not a single market on earth with the peculiarities of which some two or three of our organizations are not entirely cognizant."—cited in *Can we compete abroad ?* page 93.

tried to supply the exact type of goods required, even going so far in some cases as to manufacture the same article in different styles, in types best adapted to meet the needs of the country for which it is destined. English exporters have not always done so, and their slowness of uptake in this matter has lost them more than one market.

From the exporter's point of view, tastes and colours are not matters of argument. In this, as in other things, we must satisfy the customer, ever mindful of what has been so well put by Filene, the great merchant of Boston, who said : "The art of selling consists in disposing of goods which will not come back to people who will come back." This is even more true of export trade than of the retail trade which Filene had in mind.

How much business has been lost because these essential principles have not been understood ! Here are some examples cited by Giraud [18]. "Colour," he writes, "plays an important rôle in guiding the purchaser in his choice. Sometimes it gives articles a more attractive appearance—American agricultural machinery painted in light and dark blue with gilt edges has displaced in South Africa heavy English machinery in single dull colours. Often, too, the purchaser prefers a particular colour, and it would be unwise not to meet his wishes. The Chinese, whose conservative character is alarmed at the slightest change, remain loyally attached to certain designs and colours which they have favoured for centuries. Cloth, for example, of too light or dark a shade will not attract them, even if offered at a lower price. To the protests of Egyptians who complained that they could not get the type of footwear they wanted, French manufacturers replied that the necessary changes in machinery were too costly to

[18] A. Giraud, *L'Organisation technique du commerce d'exportation*, pp. 91-2.

introduce. Swiss and American manufacturers, however, did not grudge the expense. Their efforts were swiftly rewarded and the new business obtained largely repaid them for the pecuniary sacrifice involved at first."

The Americans who, during the past few years, have become experts in export trade, have already outstripped the Germans. Before the War European nations knew little or nothing of chewing gum. Since the American troops were in Europe, the export of chewing gum to that continent has exceeded half a million dollars a year [19]. The Americans, therefore, first exported their tastes and customs and thus created a demand for their product, a real triumph in exportation. In giving this example to illustrate our argument, however, we feel bound to add that it should not be followed except in special or isolated cases.

On the whole, nevertheless, American manufacturers show a real grasp of this elementary principle. They have adapted their manufactures to the demands of the markets they wish to capture. One example out of thousands is furnished us by the International Harvester Company which has so varied the models of its agricultural machinery as to adapt them to the needs of nearly fifty different countries.

"This company has built right-hand machines instead of left-hand machines, as used in the United States, because oxen and buffaloes, the farm motive power in many countries, have always been trained to be driven from the left. They have built machines for low cut in order to save the straw in countries where strict economy must be observed. American machines have been built so that

[19] In 1926, the United States exported $2,194,276 worth of chewing gum, including about $865,000 to England, 154 to Holland, 68 to Denmark, 45 to France, 37 to Sweden and 20 to Germany, etc.

they could be hauled through the narrow lanes of rural Great Britain, machines of special weight and design are built to be drawn by cows in Southern Germany and Switzerland. Machines are painted a special colour, according to the locality ; they are built to suit conditions of soil and crop, the kind of animals used and the sort of harness the latter carry" [20].

In order to secure a market for new articles absolutely unknown, it is imperative to advertise by means of demonstrations showing their usefulness in order to create a demand. This, according to Jourdain, has been responsible for the rapid extension in the use of a multitude of products which surround us nowadays, such as the telephone, telegraph, gramophone, cinematograph, etc. These articles are meeting a demand of which no one suspected the existence. And it is the shrewdness of selling agents, aided by rational publicity and intelligent methods of sale, which has brought these needs before our eyes. The things themselves were brought into being and then our desire to use them satisfactorily has been sharpened to such a degree that now it is impossible for us to contemplate doing without them in the future. This is the spirit which should animate us in all our attempts to capture new markets. Let us consider this aspect of the problem carefully when we wish to create special articles or to work out new and original adaptations of our products in view of their export to this or that particular market where they will assuredly find a ready sale [21].

This is the same advice that N. B. de Laujardière gave some years ago to his fellow-countrymen [22]. "What is

[20] *Can we compete abroad?*, page 95.

[21] A. Jourdain, *Comment exporter ?* (Liège, 1920), p. 25.

[22] Ch. Brillaud de Laujardière, "Pour conquérir un marché" in "L'Exportateur Français", 1922.

required to capture a market, and to retain it when once it has been captured ? It is necessary in the first place to know in detail all the peculiarities of that market. The preferences of the consumer ought alone to guide the choice of the shipper. The English like luxury raisins ; do not, then, offer them white grapes ! The question is to know not what you prefer, but what your customer likes. It is necessary, then, to have in each important commercial area experts well acquainted with the tastes of the consumer. See what Germany has done ! In all the cities of Great Britain she maintained representatives who lived there from youth and thus became thoroughly familiar with British customs and who by interest and self-esteem neglected nothing in order that German products might give satisfaction. What kind of agents do we send to compete with these ? Commercial travellers who know little or nothing of English ways and habits, whose rapid enquiries gather merely superficial and preconceived ideas. 'The trade of a nation follows its countrymen', someone has said, and nothing is more certain. It is to be hoped that large numbers of young Frenchmen will prefer to the empty glory of becoming civil servants the honour of being pioneers of our trade in foreign lands. They will serve their country better in this way, and will not regret it."

All this holds good in the case of Canada, if we wish to become exporters of manufactured or even semi-manufactured products in the true sense of the word. But we cannot follow this advice entirely. Our country is young and insufficiently populated, and so has no man-power to export. We cannot therefore hope, for some time at least, to see a sufficient number of our representatives established in foreign countries for the purpose of stimulating our trade. But that is all the more reason why we

should take stock of all other conditions necessary for the building up of a prosperous export trade, and of these a thorough knowledge of markets is of first importance.

This accurate knowledge of national customs will enable the exporter to choose the right kind of goods for export. If he does business with a serious-minded, thrifty people he will have to sell them goods that will last. On the other hand, if his customers attach more importance to external appearance and low price, he must be prepared to offer articles which will please them and so lead to a frequent renewal of orders.

Having studied the conditions of the market during the earlier part of his stay in a foreign country, the exporter can then, if everything points to a successful realization of his anticipations, undertake more definite proceedings with a view to developing his business there. While preparing suitable publicity, he can proceed to choose an agent to represent him in the country after his departure home. This choice is obviously the most important thing he has to attend to during his visit, for in a great measure his future success depends upon it.

Of course such visits to foreign countries are costly and only the larger firms can afford them. Other firms, however, may form a group and send a representative abroad at their common expense. For the purpose of gaining general information likely to be of use to all their traders and manufacturers, some countries send missions to study the commercial possibilities of a definite area. These official missions are usually organized by governments, manufacturing syndicates, or commercial federations. They can produce excellent results if composed of competent men and if the work is conscientiously carried out. An interesting example of such a mission is that of sixty French farmers [23] who, accompanied by representatives

[23] Cited by Giraud in *L'Organisation technique du commerce d'exportation*, pp. 241-2.

of the French railway companies, visited the markets of London and other cities in the United Kingdom. These exporters were everywhere put in touch with the principal consignees and buyers of their goods. The result was a considerable increase in collective and direct sales.

At an early date American missions studied the economic conditions of China and Japan on the ground itself. In 1916 Canada sent to France, England, and Italy a similar mission, headed by Sir J. A. Woods of Toronto. The Rouma commercial mission from Belgium recently travelled all over South America, and the Canon-Legrand mission visited China in 1924. In the same year France decided to send the Ader Mission to Japan. In May, 1929, Great Britain appointed a special economic mission, led by Lord D'Abernon, to visit the Argentine and Brazil and to study "industrial, commercial and financial relations of Great Britain with both countries with a view to their development in the general interest" [24]. In October of the same year, in order to establish closer contact between manufacturing concerns and export markets, several leaders of the linen industry of Scotland and Ireland formed a delegation to Canada and the United States. About 20 principals of the spinning, manufacturing, bleaching, finishing and merchandising concerns visited on this occasion Toronto, Montreal, Washington, Chicago, Philadelphia and Boston in order to gather information as to the requirements of their markets. Such missions as these have, of course, a commercial purpose only, more particularly that of finding markets for home manufactures. We do not here refer to the numerous technical missions sent to foreign countries for the purpose of studying those industrial improvements which are continually being made nowadays.

[24] Official announcement of the Board of Trade, London, May 24, 1929.

CHAPTER V

THE SALES ORGANIZATION

FORMERLY, the customer came to the producing country to make his purchases. This is no longer the case, except for certain specialties, such as the fashion modes of which Paris guards the secret. Today the prospective purchaser is literally overwhelmed by agents and representatives of firms of all nations attempting to sell abroad. What must we do, then, if we wish to export? In our turn we must send to foreign countries representatives able to display the value of the goods we offer and excel in, men who are competent, if necessary, to wrest in bitter struggle from our competitors orders which we could never obtain by correspondence alone. Yet it is almost the exception, up to the present, for us to have done this. It looks as if our business men have a kind of distaste, even fear, of making this effort. We must, however, admit that without such a policy we shall get nowhere, especially in the case of goods in which we are in competition with other exporting countries. A year or so ago the consul for Cuba at Montreal told the author that if Canada only took the trouble to send to his country salesmen able to speak Spanish they might do very good business. "A Canadian has never gone there for that purpose, although we are overrun with Americans and agents of other countries," he said. Now Cuba is a country from which we

purchase millions each year [1]. It has no industries of its own and so might purchase from us footwear, paper, various types of machinery and many other things ; yet we have never, seriously at least, attempted to market our manufactures there. Examples of this character are numerous, and it is high time, unless we wish to be outdistanced by other countries, for us to become much more active in these matters than we have been up to the present.

Our export houses must, therefore, create a special organization for this purpose. They must either have fixed representatives in foreign countries or send travellers there at regular intervals. The latter should be well supplied with collections of samples. These should be thoroughly well made and presented in an elegant way. If the type of product suggests it, models and machine parts should be provided for demonstration purposes. It goes without saying that a well-directed publicity campaign must prepare the ground, or maintain the customers' interest in the article in question. Exporters must be prepared to go to the expense of making inquiries on the spot each time a need makes itself felt. Misplaced economy in such matters may adversely affect the business.

I. Methods of Making Sales.

There are various methods of selling abroad. These include correspondence, an accredited selling agent in the foreign country, a broker in an intermediary country, travelling salesmen who go abroad at stated intervals, and an import commission house. All these methods have

[1] In 1928 we purchased from Cuba 5,587,171 dollars' worth in various goods (especially sugar and tobacco). We sold $5,386,679 in goods, especially potatoes $2,390,756, flour $126,084, whisky $37,750, cod $834,592, condensed milk $546,523, newsprint $514,514. Our manufactured products, it will be seen, form only a slight proportion of the total. Moreover, instead of our trade increasing with this country, it has remained stationary for several years and at times tends to decline.

advantages of their own which vary according to circumstances.

Sales by correspondence, for example, are less costly but often difficult. The psychological element necessarily enters into this method. It is not, in fact, easy to develop an important export trade in this way except when selling an article which has scarcely any competitors, in a country whose mentality is easily grasped and which possesses a rigorous commercial honesty. Selling by correspondence becomes easier if only required, for example, to continue the work begun on the ground by a travelling salesman between his visits to the customers. The travelling salesman who is an official representative of the house is almost on the same footing as a permanent agent abroad, except that he has no permanent office in the country. He visits his customers, just as a traveller might do in the interior of Canada, and ever strives to increase their numbers. His responsibilities, however, are much greater than those of the home traveller, since he must keep his house informed as to the solvency of his customers ; settle, if he is authorized to do so, any little differences which may have arisen in the execution of preceding orders ; send to his principals the orders which he gets, furnishing them with every possible detail as to the country, and especially as to the way in which his customers wish to be served or the methods of packing they prefer. He ought to give them all the information necessary to facilitate the execution of orders, so as to prove to the customer that there is a genuine desire to satisfy him. As the exporter is judged by the kind of man he places in the field, his traveller should be well educated, possess tact and a perfect knowledge of the product he is selling and the market where his opera-

tions lie [2]. He ought, moreover, to know the language spoken in the country which he visits. This is indispensable, because, although it is quite true that Canadians—if competent in both English and French—hold the key to many markets, it is none the less true that many other countries of special interest to us (such as South America, Russia, the Balkans and the Far East) demand a knowledge of other languages and sometimes even of the special dialects used in those countries [3].

Sale by a broker in an intermediary country is a method which up to the present we have abused. It is the easiest and least expensive method, but from the exporter's point of view has several disadvantages. London and New York are the two centres through which we have worked in this way. Knowing much less about foreign markets than either the English or the Americans, our manufacturers have too often been content to sell to the latter the goods they required, without troubling themselves over their final destination. As a rule only a portion of these shipments is sold in England or in the United States.

[2] In an article, "*L'Organisation de l'exportation directe dans les pays d'outre-mer*", "Le Commerce", Paris, Oct., 1926, Mr. Rumpf, an expert on the organization of foreign trade, writes : "It is not sufficient that the commercial traveller abroad shall be a perfect salesman knowing thoroughly his profession and what he sells. The qualities which are usually required from every commercial traveller must be here enhanced by certain imponderables, which include a high intelligence, a refined education, and the qualities of a director capable of assuming responsibilities."

[3] A large proportion of the business in China being carried on through the medium of "compradores", a knowledge of English is perhaps sufficient. Nevertheless the importance of French Asiatic possessions makes the knowledge of French very useful in the ports of Shanghai, Tientsin and Hongkong ; in the interior of China a knowledge of the language spoken by the natives is indispensable. The same is true of Brazil, where all the business is transacted in Portuguese; in the remainder of South America in Spanish ; with Central Europe, letters must be written in German ; in Egypt, trade is carried on in French, English, Arabic, etc.

The rest is re-exported, and very often the goods are re-sold, disguised and unmarked [4]. The disadvantages of this method are evident. The sale is easy and without risk, but on the other hand our exporters are totally ignorant as to the country which is consuming and appreciating their products, and the customers there do not know them. Should, moreover, English or American products have, for one reason or another, a poor reputation among foreigners, our merchants suffer the consequences [5]. In short, we are wholly at the mercy of the foreign broker, who can easily make occasional sales for us, but can also cut us off from our markets whenever he chooses, that is to say, whenever it pays him better to deal with others. The advice of all who have studied this question thoroughly, both in theory and in practice, is that we ought to trade directly whenever possible—in other words, direct from Canada to the consuming country.

Should the extent of the business allow it, a special representative should be placed at a fixed centre in the foreign country. He should be well located in a place from which the work in the territory concerned may be effectively directed. The area to be covered must not be too large, and the agent ought, as his work progresses and the business develops, to be allowed to create sub-agencies which he can control and for which he remains responsible to his principals. We repeat that it is very important to choose

[4] This was the case with cheese sold in London by Canada and re-exported by England to France, Belgium and elsewhere. Our commercial agents in these countries have pointed out this fact on many occasions. Election speeches have even suggested that Canadian goods are dumped on the English market and sold in Canada in competition with the original product.

[5] Canadian bacon exported by the United States in 1919 was refused in England at the same time as American bacon of an inferior quality, with which it was confused.

this agent carefully. Preferably he should be a Canadian [6] already established on the ground, or who can be sent there, provided, in the latter case, that he speaks the language of the country fluently. If it is impossible to entrust the agency to one of our own countrymen, then we must choose our representative from among the natives of the country in which we wish to trade, unless, of course, it is a country only slightly developed commercially. If the agent is of the same nationality as the firm he represents, he has sometimes an advantage over others in defending with greater firmness and conviction the interests of his principals. On the other hand, the native-born has a better knowledge of the tastes and customs of his clients and arouses less suspicion among his fellow-countrymen. More important, however, than this question of nationality, are the personal qualities which an agent ought to possess. It is necessary to choose a man who is sober, honest, hard working, with an irreproachable past, one who enjoys the confidence of his fellow-citizens, and has a business prestige sufficient to afford sound guarantees of success. The exporter must not lose sight of the fact that the agent will be his best means of penetrating the market, provided he is well chosen ; and, if not, he will be the chief cause of failure. A visit, as indicated above, by the exporter for the purpose of studying conditions in the country concerned, will enable him to gather on the spot information as to the various candidates he has in view.

The choice of an agent being settled, it is absolutely essential that a clear and precise contract should establish the conditions and duration of his engagement, and in what way exactly he will represent the house. The territory

[6] The English and Americans always approach their own countrymen first.

allotted to him should be properly defined ; careful stipulations should be made as to the way in which sales are to be effected, the rate of his commission, how orders are to be transmitted, how payments are to be made after delivery of goods, and whether by means of a supplementary commission (del credere) the agent is to be responsible for the solvency of his customers ; finally, on what conditions [7] the contract may be cancelled. In every way the agent should take precautions, obtaining sufficient information regarding his customers, so as to place his employers in touch only with persons who can be recommended. He should also be required to adjust small differences which may arise between the customers and the exporter as to the execution of certain orders. It is better that he should arrive personally, by means of tact and good judgment, at adjustments satisfactory to both parties, rather than that they should be settled by correspondence. As a rule, agency contracts include a clause which prohibits an agent from representing rival houses at the same time. Obviously this refers to his representing different manufacturers of similar products, for nothing can prevent an agent for typewriters, for example, from dealing in calculating machines made by a competing firm. Such examples are not infrequent and, provided that the articles are not too dissimilar or too numerous, the arrangement is not disadvantageous to the various manufacturers concerned, because of the larger number of customers with whom the agent is in touch. Sale by means of agents appears to be the method of procedure which has most to commend it, except in those rare cases when one is able to open a branch house in a foreign land. In such a case, however, the house itself transacts the business and the operations do not greatly differ from

[7] The most important condition is in reference to the amount of annual sales demanded by the principals.

those in the home trade. This plan is costly, too, and can only be utilized by large concerns to whom the cost of establishment, etc., in the foreign country, mean very little.

Some manufacturers, after making arrangements with a well established merchant of good repute, are content to send merchandise on consignment. The goods then remain in the consignee's warehouse until they are sold. This method has the great inconvenience of tying up capital for long periods of time.

Lastly, a manufacturer can give exclusive representation for a certain territory to a wholesale dealer of similar or related products. In that case the trader agrees to transact business up to at least a minimum figure. The goods being sold directly to him, the risk to the exporter is reduced to as narrow a margin as possible. This system, however, can only be recommended if the wholesaler has a large number of customers. Whatever may be the method chosen to secure representation in a foreign country, it is essential for the export house to maintain permanent contacts with its various sales offices. The manufacturer ought to weigh carefully all information tending to increase his business which his agents may communicate to him. The agents should comply faithfully with all instructions received from their employers. It is desirable that the sales manager or his representative should make an annual visit in order to become more closely acquainted with the work of his representatives and to outline for them the sales plans for the following year.

There remains to be considered the method by which a co-operative group or syndicate of manufacturers of the same product is represented by a single agent in the foreign country. This method has the advantage of materially reducing the expense of representation abroad, but rarely

gives good results because the interests of the group are often in conflict with those of individual members. We may, however, except certain extremely powerful syndicates which in several countries nowadays are successful in grouping together all the industries manufacturing similar or complementary products. These associations have rendered considerable service to the export trade of these countries by multiplying markets in foreign countries, by establishing uniform prices and thus eliminating between the individual industries of a nation a competition which has often proved disastrous. This method was adopted before the War by many of the famous German "cartels" which have enabled, for example, the electrical industry of that country to compete successfully with every other electrical industry in the markets of the world [8]. Since

[8] This had already shown itself in Germany before the War in the evolution of industrial concentration. The policy of cartels was actively followed and contributed largely towards the advance of industry. Under this name were designated associations of business concerns producing the same specialty which had concluded temporary arrangements for a well-defined purpose. Unlike the trusts, these groups left to each of their associated firms full autonomy in the domain of activity allocated to it, and took upon themselves the sale in common of the whole or of a part of their production. They assumed for themselves a sort of real monoply of the market, efficiently protecting themselves, by suppressing competition and limiting the output of the factory, against a lowering of the price and securing a reduction of costs through an appreciable diminution of overhead expenses. The commonest type of cartel was the selling cartel based on fixed prices or on a division of production. The basic industries—iron, coal, chemical products, textiles—and the mining industries, constitute the two principal domains for success in the development of cartels.

These traditions towards concentration have not been lost. Since the armistice, numerous combinations, having, in contrast to the cartels, a stable character resulting from a complete fusion of interests, have been formed in accordance with two plans—the vertical and the horizontal. The horizontal plan groups industries of the same character and tends to build up a monopoly. It has been used for many years in America but its appearance in Germany is recent. As to the vertical plan, it concentrates in the same hands industries which extract raw material from the earth—coal, minerals, electric power—industries which are responsible for its various transformations up to the finished

the War, the plate-glass industry of Belgium has been syndicated, and all the participants have expressed themselves as satisfied with the result. It is true that in this case the syndicate handled a product which for a long period the Belgians have manufactured expertly and at a lower price than that of other countries. In order to carry on extensive business transactions in foreign countries, the cement manufacturers of Belgium (makers of artificial Portland cement) have also formed an association. In 1925 there were about 3,000 German cartels of which

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product ; as well as organizations dealing with transport and the retail establishments.

Certain trusts like the "Allegemeine Elektrizität" have followed almost exclusively the lines of horizontal concentration ; others, such as those controlled by the late Hugo Stinnes, combine the two systems. It is superfluous to insist on the advantages realized by horizontal combinations from the point of view of specialization, regulation of prices, apportioning of raw material, and savings through large scale common buying, as they have been realized in banking and in the metallurgical, cement, porcelain and brewing industries.

But the grouping of industries of the same character is no longer the final stage of progress. Indeed, the proprietor of mines, who does not himself utilize the materials extracted from his deposits, renounces in selling them, the profits which his purchaser receives in transporting these raw materials to his factories. Considerable economies could be effected if the proprietor of the mines acquired and operated a plant for the transformation, control and transport of his own products. It was to this type of concentration that Stinnes owed his fortune and his fame. From the proprietor of a factory he became the exporter of manufactured products. These new organizations, by suppressing intermediaries, permit the apportioning of the production of the raw material to the requirements of the factories which turn them into finished products or into electric power used on the ground. They make possible not only the regulation of consumption in the quantity but also in the quality of the raw material and eliminate the losses incidental to variations of exchange rate or to depreciation of the Reichsmark. Whatever may be the ultimate consequences that this daring industrial policy has in store for Germany, it is certain that it has contributed powerfully towards the rapid recovery of the country.

See : *Comment l'Allemagne développe son commerce extérieur* in *L'Exportateur Belge :* June, 1922. It will be noted that the above was written in 1922 and does not attempt a description of the recent difficulties of the Stinnes group. For a further description see J. Viner, *Dumping* (Chicago, 1923), and R. K. Michels, *Cartels, Combines and Trusts in Post War Germany* (New York, 1928).

2,500 were industrial and the remainder connected with the wholesale or retail trade.

Certain syndicates or associations of producers, for the purpose of regulating price and production, have occasionally become international. These international cartels, which are by no means new organizations, are destined to play an increasingly important rôle in the economic and political life of Europe. According to Louis Domeratzky[9], chief of the Division of Regional Information, Department of Commerce, Washington, the first great international cartel was that of rails in 1884, in which besides Great Britain, Germany, Belgium, France and other European countries, there were included certain American producers who obtained a monopoly of the domestic and Latin-American markets in exchange for an undertaking to keep out of all other markets. Pre-war and post-war developments have involved a large number of commodities, and since the War there has been a tendency to develop and expand carefully organized "national" cartels, *i.e.*, "trusts", in the United States.

Until 1924 international cartels occupied themselves with such important industries as iron and steel, chemicals, glass and aluminum. They were essentially economic, organized primarily for the purpose of dealing with the difficulties encountered by the particular industries concerned. The international cartel, in its post-war phase, is looked upon by its chief exponents as a panacea capable of re-making the whole economic structure, putting an end to competition and even replacing tariffs by cartel agreements. Outstanding among the numerous international cartels renewed or organized since the War are the Franco-German potash combine and the Continental steel entente.

[9] See L. Domeratsky, *The International Cartel Movement* (Washington, 1928). Trade Information Bulletin No. 556.

The difference between these two cartels is noteworthy, the former dealing with a commodity practically monopolized by two countries, the latter covering one of the products in the world for which there is fierce competition. In the case of potash, Government intervention is of long standing and the cartel in a sense continues its methods, whereas in the case of steel,[10] private interests have exclusive control. Both of these organizations have been considerable factors in the readjustment of political as well as of economic relations between France and Germany. At the present time negotiations are in progress between Germany, France, Great Britain and a few of the less important European countries with a view to effecting an international understanding with regard to such important chemical products as dye-stuffs and synthetic nitrates. The international rayon cartel, organized last year, includes the three largest producers in Great Britain, Germany and Italy, whose branches extend throughout the world. "The rayon industry," says Mr. Domeratsky, "represents the striking anomaly of an American industry producing a staple manufactured product of which the United States produces and consumes more than any other country in the world, but which is either directly controlled by or closely affiliated with foreign interests—in this particular case Courtaulds (Great Britain), and Vereinigte Glanzstoff-Bemberg (Germany)[11], the leading members of the international combination."

The linoleum and copper cartels are recent, the latter being of particular interest because it originated in and is controlled from the United States. One of the most

[10] W. S. Tower, *The New Steel Cartel*, Foreign Affairs, vol. 5, 1927, pp. 249-256.

[11] See *Globe* (Toronto), Nov. 26, 1928, with regard to the formation of the Associated Rayon Corporation controlled by this Company with a capital of $60,000,000.

significant features of the whole movement for international economic agreement is the prominent part played by Germany in starting and carrying on such negotiations. While in the international phase of this movement towards concentration the cartel is still the most common form, there is evidence that even there the influence of the large domestic combinations is making itself felt. It is more than likely that the further development of the international cartel will include industries with a high degree of concentration in the domestic field.

At the end of 1927, the United States Department of Commerce published a list of the various industrial combinations formed in Europe during the past few years. From this we learn that 13 important international cartels[12]

[12] The following list of the outstanding cartels was provided by the Department of Commerce (Washington) in June, 1928 :

Raw steel : France, Germany, Belgium, Czechoslovakia, Luxemburg, Austria, and Hungary ; organized September, 1926.

Rails : Great Britain, France, Germany, Belgium, Luxemburg ; organized June, 1926.

Tubes : Germany, France, Belgium, Luxemburg, Great Britain, Austria, Czechoslovakia, Poland ; organized June, 1926.

Aluminum : France, Germany, Great Britain, Switzerland, Norway (in part), Austria (in part); organized August, 1926.

Enamel ware : Germany, Poland, Czechoslovakia, Austria and Hungary ; organized 1926.

Glue : Most European countries ; organized July, 1926.

Artificial silk : Great Britain, Germany, Italy (including a number of plants controlled by Great Britain and Germany in the United States); organized January, 1927.

Copper : United States, Spain, Belgium, Jugoslavia, Great Britain; organized October, 1926.

Electric bulbs : Germany, United States, Canada, Netherlands, France, Italy, the Scandinavian countries, Great Britain, Austria and Hungary ; organized 1924.

Plate glass : France, Belgium ; organized 1904.

Glass bottles : Germany, France, Austria, the Scandinavian countries, Czechoslovakia, Hungary, Holland ; organized 1907.

Borax : Great Britain, United States, Germany, France, Austria ; organized 1899 (not certain as to its present existence).

Wire : Germany, Belgium, Czechoslovakia, Netherlands ; organized February, 1927.

Calcium Carbide : Most of the European countries ; organized January, 1927.

had been formed in the past two years by industrial interests, chiefly in Europe, and that more were in process of formation [13]. These industrial combinations were organized after the World War as a result of keener competition for world trade caused by the larger entry of the United States into the export markets. Europe had international cartels before 1914, but they were chiefly of an economic character, whereas the new ones possess a distinctly political flavour, which some think will lead eventually to closer political relationship between the countries concerned.

Mr. Julius Klein, Director of the Bureau of Foreign and Domestic Commerce at Washington, has recently made a very interesting contribution to the study of these inter-

Zinc : Belgium, Netherlands, France, Germany, Poland, Great Britain, Spain, Italy, Norway ; organized May, 1928.

In addition to the foregoing, there are several combinations which, while they cannot be designated as cartels, have an important controlling influence on the production of certain commodities. Among these are the Swedish-American match trust, which has a large number of factories scattered throughout the world, and in a number of countries controls the match trade and industry through a government monopoly ; the Franco-German potash combine ; the explosives combination (Germany-Great Britain). There were also several other combinations under consideration, such as a cast iron pipe cartel ; a selling cartel for shapes and semi-finished steel ; and negotiations have been going on between the German, British and French for a chemicals combination. In May, 1928, representatives of nearly all zinc producing countries in the world met at Brussels to form an international cartel for the control of prices and production.

[13] *December*, 1928, an announcement from Paris states that the American zinc industry, the largest in the world, has entered the international zinc cartel, thus making it one of the most powerful combinations for the control of a vital raw material in the world. Ninety-six per cent. of all the zinc produced now comes under the terms of a carefully organized restrictive agreement, having for its chief purpose the maintenance of firm prices and the limitation of production. It is further announced that Mexico and Canada have joined the agreement along with the United States. The production of zinc of the various participants to this cartel is as follows for last year : United States 613,000 tons, Belgium 222,000, Poland 165,000, Germany 92,000, France 91,000, Canada 73,500 and Australia 54,000 tons. The 4% which is still outside the cartel is accounted for by Japanese, Spanish and Rhodesian producers, all of whom are expected to join in the course of the next year. (*Montreal Gazette*,).

national cartels [14]. He thinks that "the underlying motive of this international cartel movement is clearly and predominantly the elimination of abnormalities within the European business world, and not primarily the forging of a weapon for an offensive against America [15]. Quite conceivably this latter purpose may develop ultimately, but amongst the dozen or more conspicuously active cartels today the vastly preponderant interest is directed towards the establishment of more orderly marketing conditions on the continent of Europe. Germany has taken the lead in practically all these movements, and it is significant that about 75 per cent. of her exports find their outlet in nearby European markets. Broadly speaking, the whole European movement towards industrial centralization, is being manifested in three different forms : first, through the establishment of international ententes or

[14] *International Cartels*, by Julius Klein, "Foreign Affairs", vol 6, No. 3, page 448 (New York, April, 1928).

[15] Recent information (*New York Times*, January, 1929) obtained in Europe by American officials as to the formation of an enormous combine of auto interests seems to dispel this illusion. This merger or cartel has for avowed object the organization of an European General Motors Corporation with which to check the rapid advances being made in Europe by the American automobile industry. To this end the new concern is to be modelled after the General Motors Corporation of the United States, and by the adoption of mass production and other well-known American methods, will attempt to prevent American motor cars from gaining the dominant position which, many believe, they will soon have in old world markets. The promoting group of this new cartel, backed by strong financial support, hopes to obtain control of the principal factories of France, Belgium, Germany, England, and Italy. It will be recalled that this is not the first attempt of European motor car interests to combine against the American invasion. Headed by leaders of the Italian industry, a determined effort was made last year to organize a European motor car trust with the manufacturers of France, Britain, Germany, Italy and Belgium pooling their interests to meet American competition, but the scheme fell through after many months of negotiation. One can judge of the importance to American Export Trade of the formation of such combines when one recalls that the United States industry disposed of about one hundred and seventy-five thousand cars and trucks in European markets in 1928.

cartels; second, through the strengthening of international trade associations and other industrial promotive bodies; and third, through the complete amalgamation of individual enterprises in different countries."

The Americans, when necessity demanded it, have been quick to take into account the possibilities of these organizations and have grouped their exporters and manufacturers together in order that they may compete advantageously in foreign markets with the other great exporting countries. In 1918 the federal government passed the Webb-Pomerene Act[16] which permits the formation of

[16] The Export Trade Act permits American business men to combine in the form of export associations and to co-operate in export trade. Such associations are exempt from the Sherman anti-trust law, on condition that they are formed for the sole purpose of engaging in export trade, and that they do not engage in production, manufacture, or selling for consumption or for resale within the United States or any territory thereof. The act provides further (1) that export associations shall not restrain the export trade of American competitors; (2) that they shall not artificially or intentionally enhance or depress prices within the United States of commodities of the class exported by such associations; and (3) that they shall not substantially lessen competition within the United States or otherwise restrain trade therein.

During the year 1927, the total value of the export trade of the associations operating under the Webb law amounted to more than $300,000,000—an increase from $200,500,000 in the previous year. During the first half of 1928 further increases were shown, notably in copper. During 1927 copper exports from the United States totalled 1,076,712,246 pounds, valued at $149,444,720. The commodities exported consisted mainly of raw materials, such as copper, zinc, sulphur, and lumber, and foodstuffs such as flour, milk, sugar, dried fruits, meat products, and canned salmon. Other items included paints, abrasives, rubber products, naval stores, locomotives, railway springs and tires, wooden tools, and barrel shooks.

Up to about the middle of 1928 it was stated that 56 export associations had filed papers under the Webb-Pomerene export trade act for exporting American goods to foreign countries. The associations comprised about 1,000 producing plants distributed throughout the United States and included sawmills, mines, canneries, dehydrating plants, refineries, packing houses, flour mills, and manufacturing plants of all kinds. In all, 40 different industries were represented.

During recent years, export associations have benefited in many ways from the provisions of the Webb-Pomerene act. One association states that "from the manufacturer's point of view exporting is

trusts or syndicates of exporters. There was considerable discussion at the time this Act was passed, fears being expressed that under its protection strong groups would be formed to eliminate sound competition in foreign markets. Up to the present, however, no abuse has been recorded, and everything seems to indicate that although the syndicates have greatly increased, they have not attempted to go beyond the rights and powers conferred on them by this Act. As a result, the Americans have now in their

done more intelligently". This association also emphasized the saving in overhead expenses which resulted from co-operation. Another association reported a similar economy in operating expenses as a result of the combination of the export departments of its members into one central export office. An association whose membership is distributed over several Southern States finds that its members can now obtain accurate information as to the requirements of all foreign markets as well as to the extent of the trade abroad, things impossible before the association was formed. It adds that the export trade act is decidedly advantageous to most manufacturers in its line because individually they did not have a sufficient amount of business to justify the expense of selling for export. The association also reports that the volume of its export business increased in consequence of intensive efforts made by the association. The manager of an association exporting a high-class steel specialty considered it doubtful whether foreign trade in the products which it handled could be carried on successfully except through such an export organization. The expense of marketing is distributed among all members, and information of commercial value is available to all through their own central clearing house. More uniform quality of material is produced through co-operation. All foreign inquiries and orders are centralized and shipping papers and details of procedure are uniformly handled. Another association in the steel industry summarized the advantages as follows : (1) economy as a result of reduced sales expense, through operating as a single unit, thereby permitting lower prices ; (2) standardization of material as regards quality and workmanship, resulting from common manufacturing specifications ; (3) uniformity in methods of packing and stamping and in handling of shipping documents ; and (4) centralization of inquiries and orders, which is conducive to more prompt deliveries and better all-round service to customers.

The importance of the Webb law as an agency in the promotion of the export trade of the United States was emphasized in a special resolution of the National Foreign Trade Convention at Detroit in 1927, in which the attention of American manufacturers and exporters was called to the advantages available to them through organization under the Webb-Pomerene law. (*Webb Law Associations and American Export Trade*, by W. F. Notz, in "Commerce Reports", Washington, August 20th, 1928, p. 458.)

hands a powerful weapon which, well handled, will facilitate the conquest of numerous markets for all their basic products [17].

Here in Canada also it is to be hoped that we shall find practical ways of helping our exporters [18]. Nothing could promise better results than the creation of a system of co-operative exportation which would enable our manufacturers to compete with better organized countries. We must not lose sight of the fact that our manufacturers are nearly always obliged to carry on business by means of a foreign merchant marine and through foreign financial institutions. This puts them in an inferior position as compared with their competitors. More so than the manufacturers of other countries they need to group themselves together because of the powerful collective efforts which they must make in order to trade successfully with foreign countries. Such groups would enable them :

(1) To reduce the overhead expenses of their sales organization abroad ;

(2) To reduce the cost of transportation of their goods by chartering combinations ;

(3) To develop foreign markets with greater strength and thus obtain better results than by isolated efforts ;

(4) To take advantage of the financial assistance of banks for the handling of their accounts, the discount of their foreign drafts and for other banking transactions required by foreign sales.

As in other countries, these Canadian syndicates might

[17] Such as coal, metals, chemical products, textiles, paper, glass, foodstuffs, electrical apparatus and so on, in contrast to specialties such as automobiles, typewriters, sewing machines and a quantity of other products and machinery in the manufacture of which Americans are unsurpassed.

[18] Possible cartels have appeared more recently, as in the arrangements between the provincial governments of Ontario and Quebec and the paper manufacturers.

in a little while regulate production for export from controlled factories. Some of them would soon begin to specialize according to their type of plant, facilities, and location. Beyond doubt there would follow an improvement in the quality of the product, together with a lowering of the cost price. In the case of such specialization, the central office of the syndicate, on receipt of foreign orders, would divide them amongst the various factories according to their facilities. This method of expansion has proved a success in foreign countries. Why can it not be turned to our advantage here in Canada ?

II. The Conditions of Sale to Foreign Countries.

Obviously the conditions of sale to foreign countries vary exceedingly, according to the type of country with which the business is carried on and also to the nature of the goods sold. We shall not enter into details regarding these conditions, because this work is primarily devoted to an explanation of principles, and aims at a discussion of the desired expansion of our foreign trade and not at a study of the technique of these operations. We shall not speak, therefore, of the way in which offers are made, of their acceptance, or of the obligations which they impose on seller and buyer. This information is, moreover, a matter of office routine, and varies according to the special arrangements which exporters make with their correspondents. It goes without saying that the vendor should never deliver goods other than of good quality and strictly up to samples. Delivery should be made at the time specified and particular attention should be paid to methods of packing in order to prevent breakage and wastage [19].

[19] The forestry department under the direction of the Secretary of Agriculture in the United States has created a special experimental laboratory for packing at Madison (Wisconsin).

With regard to the general conditions of sale, it is best for the seller not to attempt to impose his own terms, but rather to yield to the demands of the customer, provided he can furnish good evidence of solvency. The question of credit plays such an important rôle in export trade that business would become very difficult if cash payments or payments in too short a time were exacted [20]. The chief conditions of sale are those of price, method and terms of payment, and place and time of delivery of goods. These include a variety of details which a conscientious exporter will take into consideration.

The price of goods sold to a foreign country is sometimes established in the currency of the exporting country, and sometimes in that of the purchaser's country or of a third country whose currency happens to be more stable. It is advisable in this matter to meet the wishes of the purchaser, taking care however against loss in exchange on either side. This explains why much of the business between non-British countries is transacted in pounds sterling. Moreover, as the exporter will receive requests for prices from greatly differing sources, it is advisable that he should always quote a uniform price, mentioning only the discounts he is prepared to allow to the wholesaler, broker, or retailer. In this way, without injustice to any, he can reserve for all who sell his goods the normal commission to which each party is entitled. He can also avoid difficulties in these matters by having in the foreign country an agent to whom he can refer all requests.

Terms of payment vary, depending on whether the goods are sold to a client whose solvency is beyond question, or whether they are sent to an unknown client. In the latter case, a cash payment should be exacted, if possible, even before the goods are shipped. The documentary

[20] See below, the chapter on export credit.

draft is obviously the most secure method, inasmuch as the purchaser takes delivery of the goods at the moment of their arrival at their destination. In all other cases it is necessary to give the same credit terms as are granted by competitors. Certain exporting countries—Germany, for instance—owe much of their success in foreign trade to the easy terms of payment which they have always granted. This, of course, cannot be done without the co-operation of the banks. When transacting business in foreign lands the terms of payment one has to make vary from one country to another, for they depend on the solvency of clients and other special circumstances. Speaking generally, in the case of foodstuffs such as wheat, meats and similar goods, the terms of payment are short, no matter to what country they are destined ; they are goods of current consumption which are quickly disposed of, so that the exporter cannot give the purchaser much latitude in the matter of settlements. It is quite otherwise in the case of manufactured products. The credits usually granted by exporters for sales of these in the following countries are:

South America	3, 4 and 6 months.
Central America and West Indies	1 to 6 months.
Australia	30, 60, 90 and 120 days.
China and Japan	3 months.
the Dutch Indies and Straits Settlements	30 days to 6 months.
the British Indies	30 days to 4 months.
South Africa	2 to 6 months.
West and East Africa	1 to 4 months.
North Africa and Asia Minor	4 to 9 months.
Europe	1 to 6 months.
the United States	1 to 3 months.

Unless they know their exact meaning, exporters should avoid using in their quotations such expressions as net, cash, ready cash, etc. The meaning of these terms varies with the country, so that those who use them at any time should be absolutely certain of the meaning involved [21]. To indicate the time and place of delivery there is also a series of expressions and abbreviations which are in general use, such as f.o.b., c.f., c.i.f., f.a.s., l.c.l., etc. These again must be used with caution because their meaning changes materially the responsibilities of both shipper and consignee. In fact, erroneous interpretation of these terms has given rise to so many disputes that in 1919, in order to establish definitely their meaning in America, a conference held in New York attended by representatives of nine [22] of the chief commercial organizations interested in export trade, drew up what they called the "American Foreign Trade Definitions" concerning conditions of sale, with special reference to export trade. These definitions have not, of course, the force of law nor are all of them of long standing, but it is to be hoped that they will now be employed, in the exact meaning indicated, by all exporters and manufacturers in America, and thus become authoritative on this continent. For the use of Canadian manufacturers and exporters the journal [23] of their Association has reproduced in full the definitions adopted at the above mentioned conference. Whenever possible, if the purchaser does not object—and such objection would be

[21] See for the various meanings of these terms, B. O. Hough, *Practical Exporting* (New York, 1918), page 334.

[22] National Foreign Trade Council, Chamber of Commerce of the U.S.A., National Association of Manufacturers, American Manufacturers' Export Association, Philadelphia Commercial Museum, American Exporters and Importers' Association, Chamber of Commerce of the State of New York, New York Produce Exchange, New York Merchants' Association.

[23] See *Industrial Canada*, April, 1920, also C. Maughan, *Trade Term Definitions* (London, 1924).

exceptional—the exporter should always quote c.i.f., that is to say, adding freight and insurance costs to the price of his goods. This method of quotation enables the customer to judge instantly as to the value of the offer he receives. He can compare it easily with actual prices on his market or with prices quoted him by competitors from other countries. In a well organized export house the shipping department (of which we have already made mention) should always be in a position to furnish the sales manager with information on which he may base quotations of this kind. The purchaser is probably not in such a fortunate position as regards securing information. In making it unnecessary for him to seek out the details required, his goodwill is obtained and business more speedily concluded. By quoting in this way, the exporter binds himself to pay freight and marine insurance to destination. He should not concern himself with the expenses of unloading, or make in case of damage the necessary claims on insurance companies. He must forward to the purchaser a clean bill of lading and the insurance policy, or at least a certificate of insurance, so that the purchaser will be able to claim his rights on arrival. Since the elements which serve to establish prices c.i.f. vary continually, it is customary to quote in this way only by cable and for immediate acceptance. If offers are made by letter, they should state precisely up to what date they are valid.

III. Methods of Payment.

After the goods have been sold to the foreign purchaser, the necessary orders are given to the factory to pack them as carefully as possible. Then, accompanied by all the shipping and other documents prepared by the exporter, they are sent by rail or otherwise to the port of shipment. Except in the case of cash sales—which are extremely rare—the exporter has received nothing up to this point.

Apart from the value of the goods themselves, when he sells them c.i.f., he has to pay the cost of transportation to the boat, the cost of handling and possibly of warehousing, the insurance charges and the freight. As this outlay on his part repeats itself with every such transaction, it will readily be seen that he must obtain credit from the banks until his purchasers have received their goods and paid their bills. The mechanism by which these credit operations are accomplished is quite simple, varying somewhat according to terms laid down previously in the correspondence which has passed between the exporter and the customer. In order to pay for the goods, the purchaser can send funds to Canada, or he can open an account with a Canadian bank in favour of the exporter. In the first case the purchaser can procure an international bank money order payable in Canada, or a draft on Montreal, for example, which he can send to the seller. In the second case, when the time comes for payment, he asks his banker to open a credit in favour of the exporter. This is opened through some bank in the exporter's city with which the purchaser's banker has reciprocal business relations. Naturally the purchaser has to furnish guarantees to his bank in order to secure such facilities, and these guarantees vary according to his financial standing. In any case he has to pay to the banker interest on the amount advanced, as well as a small commission for services rendered. As a rule, however, payments are made by means of drafts drawn by the exporter on his foreign purchasers. These drafts may be either clean bills of exchange or documentary drafts. The clean bill of exchange currently used in transactions throughout the interior of a country is sometimes also employed for the settlement of foreign debts. These bills, however, are not easy to negotiate in such cases unless the exporter has a very large credit at the bank. For this

reason they are generally accompanied by other documents proving the transaction of which they determine the settlement, and giving the ownership of the goods to the individual to whom they are finally endorsed. These bills of exchange are therefore called documentary drafts.

All bills of exchange, documentary or otherwise, are made in duplicate for the export trade. Each of these—whether bearing the word "original" or "duplicate"—is sent by a different mail. It is customary also for drafts to be drawn "to the order of ourselves" instead of being made to the order of a bank or of some other intermediary. If they are endorsed in blank by the drawer, these bills of exchange become documents payable to bearer and are negotiable in the most flexible way. This practice, however, is dangerous unless the draft endorsed in this manner is entrusted by the drawer to a banker who *ipso facto* is rendered responsible for its payment.

An export house seldom sends its bills for collection. More frequently, in the case of time bills, the drawer prefers by means of discounts to negotiate them at banks which will present them, at maturity, to the drawee. This is done through the intermediary of their branch houses or of their foreign correspondents. If the drawee refuses to pay, the drawer remains responsible to the bank with which he has discounted his bill. He must repay the money obtained from the bank and also meet any costs incurred.

The method of payment by means of documentary drafts is used in all exporting countries. It is an easy way of making a settlement, and gives guarantees to the purchaser as well as to the seller. The documentary draft, as we have explained, is a bill of exchange accompanied by shipping documents, *i.e.*, two copies of the invoice, bill of lading, insurance policy and other certificates, consular

invoices which may be required in certain countries, etc., and includes therefore every document necessary to give title to the goods. These documents are delivered to the drawee only on acceptance or payment of the draft ; they are made payable to order and, as in the case of the bill, are transmissible by endorsement. Consequently, when an exporter has sold abroad a certain quantity of goods, he draws on his purchaser as soon as the goods are placed on board. As he is in possession of the shipping documents, he can then negotiate his draft with his banker. The latter sends the whole to his correspondent in the purchaser's country. Through the intermediary of this foreign bank, the draft will be presented to the importer. If the draft is at sight, the importer, against payment, will receive possession of the documents. Occasionally, in the case of firms of recognized high standing, the bills are made payable at 30 or 60 days or even more ; and in such cases the shipping documents are handed to the purchaser against his acceptance of the draft. If, on arrival, the purchaser refuses to accept or pay the draft, the banker (by means of the documents which he has in his hands) can take delivery of the goods and store them until he receives instructions from the seller. If necessary, the banker can sell the goods and send the proceeds of the sale to the Canadian banker who has discounted the bill. If the amount is not sufficient to cover the initial outlay of the latter, the exporter is responsible to the banker for the difference. Bankers, however, will rarely discount these drafts at their face value, giving generally only 75 to 90 per cent. on such paper. The final payment is made after the purchaser has settled. The work of the banks in these transactions is covered by a commission, the rate varying with the country.

As documentary drafts are always made out in dupli-

cate, so also the documents accompanying them must be in duplicate. This permits sending the first bill of exchange for acceptance through the medium of a banker established in the purchaser's country, while the second is being negotiated. The latter, therefore, bears the words "The first of exchange accepted at . . .. (naming the banker who holds it) . . . .". The "second of exchange" will finally be presented by the bearer to the banker who holds the "first of exchange." This "first of exchange" will then be handed over to the bearer. At maturity the two bills, reunited, will be presented to the drawee.

If the sale has taken place on condition of payment by *confirmed or irrevocable commercial credit*, this means that the purchaser has deposited with a bank of the exporting country an amount sufficient to pay the invoice at the moment the goods are shipped. The banker, authorized by the purchaser, notifies the exporter that he holds for his disposal a definite sum ; and, observing strictly the instructions which he has received, turns over to him the amount of his invoice against delivery of the bill of lading or of any other document proving that the goods have been shipped to the purchaser. This method of payment does not oblige the exporter to run any risk, and prevents any annoyance to his purchaser which might have ensued had he exacted payment in cash at the time of ordering.

The commercial letter of credit is entirely different from the ordinary letter of credit issued to travellers, and should not be confused with it. By this letter the purchaser authorizes his foreign seller to draw on certain banks established in the exporting country up to a certain amount. This method of payment is especially suitable in the case of long term credits, and some commercial letters of credit are issued at 30, 60 and 90 days, and even from 4 to 6 months. During this period the exporter is authorized to

draw on the bank or banks indicated, under certain conditions stated in the letter. Each draft must be accompanied by proper shipping documents, and the number of the letter of credit to which the amount refers must be mentioned. A commercial letter of credit is issued by a bank at the purchaser's request in triplicate ; one copy being sent to the foreign bank which opens the credit, the second by the purchaser to the exporter for whom the letter is issued, and the third remains on file at the bank of issue. Sometimes the letter is sent only to the bank which is to open the credit, in which case the bank has to notify the beneficiary that the credit has been opened. The amount of the drafts issued is written on the back of the letter at the moment of their acceptance by the banker, and the shipping documents [24] are detached. These are sent by him to the purchaser's banker. At maturity the drafts are paid by the banker to whom the commercial letter of credit was addressed. The letter carries the date of its expiration, and no shipping document or draft in connection with it can bear a later date.

Actually these commercial letters of credit are authorizations given to bankers enabling them to accept and discount drafts for the account of the purchasers. Pro-

[24] Title to merchandise is transferred by delivery to the bank of the following documents :

(a) Draft in duplicate to be drawn to "ourselves", endorsed in blank or with the banker in blank.

(b) A full set of all negotiable copies of the bill of lading signed by the representative of the shipowner drawn to "order" and endorsed in blank.

(c) At least two copies of the invoice and an itemized statement of charges which make up the total amount for which the draft is drawn.

(d) Certificate of marine insurance in duplicate.

(e) Consular invoices when countries require such documents.

(f) Certificate of origin if shipment is to countries requiring such documents.

See A. A. Preciado, *Exporting to the World* (New York, 1920), p. 294.

tection for the exporter and the accepting bank is complete. The transaction involves risk only for the banker issuing the letter of credit, but even he, on receipt of the shipping documents, might seize the goods in case of non-payment by the purchaser. As a matter of fact all these transactions have become very stable, because the banks, before issuing such letters requiring them to accept and pay drafts drawn on their correspondents, obtain satisfactory information as to the financial standing of the purchasers and exporters concerned as well as to the character of the transactions between them [25].

The form of these letters of credit varies somewhat in different banks and according to the nature of the transaction and customs governing it. Generally, however, they include the following :

1. Names of the contracting parties.
   - (*a*) The banker who opens the credit.
   - (*b*) The bank which will accept or pay the drafts which the beneficiary of the letter of credit is authorized to draw on it.
   - (*c*) The exporter or beneficiary of the letter of credit.
   - (*d*) The foreign importer on whose account the the credit is opened.

[25] Towers cites the case of a foreign bank having authorized the Royal Bank to open a credit to a Canadian exporter by virtue of which the latter would discount the drafts, accompanied by all the shipping documents, including a certificate of inspection signed by an official inspecting officer. This foreign bank later refused to recognize its obligations under the pretext that the inspector who signed the certificate, although well known in the trade, was not an official inspector. The only recourse for the bank, which had paid the drafts, was to seize the goods and sell them at a loss or to start a suit against the foreign bank, a procedure both disagreeable and costly. It will be seen that the banks, in spite of all the precautions with which they protect themselves, may run real risks. G. F. Towers, *Financing Foreign Trade* (Montreal, 1921), page 32. See also : A. A. G. Harlow, *Commercial (Export) Credit*—Journal of the Canadian Bankers' Association—October, 1927, pages 92-7.

2. The manner in which the drafts may be issued, *i.e.*, at sight or at so many days from sight or date.
3. The amount of the credit opened.
4. The percentage of the invoice value of the shipment for which each draft may be issued.
5. The character of the goods involved in the transactions, the methods of loading, and the destination of the cargoes.
6. The name of the person to whose order the bills of lading ought to be issued (usually the bank which opens the credit).
7. Where and how the goods ought to be insured, and to whose order the payments ought to be made in case of loss.
8. The date of expiration of credit.
9. The name of the person or bank to which the shipping documents ought to be delivered.

We have now mentioned all the usual methods of financing orders received from foreign countries. With slight modifications they are all used in Canada. A few of our banks take into consideration our increasing export trade and its need for credit facilities. They realize that these can only be given in proportion to the confidence which the exporter has in his prospective customer. They have therefore organized foreign departments for the purpose of supplying to Canadian merchants financial and other information regarding persons in foreign countries with whom they wish to develop business relations. As a result, the majority of drafts drawn on foreign buyers are negotiable in Canada. A certain number, however, are still sent for collection, and this results in an unfortunate tying up of capital in such instances. These are chiefly issued by houses which only occasionally engage in export trade. The others have an arrangement with their banks

for securing regularly the discount of sight or time drafts issued by themselves on foreign customers whose solvency is established. Since the majority of these drafts are documentary, the banks are sufficiently protected. Obviously the discount rate varies with the country on which the instruments are drawn, the general monetary situation at the moment, and the period of maturity ; sight drafts having a higher value than those of distant maturity. Similarly documentary drafts are preferred to clean bills, unless the documents are concerned with perishable goods or goods difficult to sell in case of litigation. Clean bills, in Canada as elsewhere, are discounted with difficulty and only when the banker has full confidence in both drawer and drawee.

It is advisable for the exporter to include in his sales price the discount, stamp tax on bills and other expenses which he has to meet. This will do away with the necessity of making claims later on his customer—a proceeding which always has an adverse effect on business relations.

Drafts in favour of Canada can be drawn in dollars, in pounds sterling, or in the money of the importing country. It is advisable to be cautious in this matter, because of the severe fluctuations in the exchange of certain countries. It is best to issue these instruments only in stable currency based on gold, preferably, when our dollar is at par, in Canadian dollars [26]. Before the War a large number of international transactions were made in pounds sterling. London being then the important clearing centre. Today the United States, having protected the stability of its currency, is challenging the place of England as the world's banker.

As in other countries, drafts in Canada are issued in

[26] Or American dollars for certain countries where this dollar is better known and quoted more frequently than our own currency.

duplicate. One copy is usually sent, along with a series of shipping documents, by the quickest route to a correspondent bank in the country concerned. This is for acceptance there, and for delivery of the documents against this acceptance, to the purchaser. The second copy goes with the boat carrying the goods. Usually the banks give, at the time of issue, instructions for the delivery of the documents on acceptance and for the waiving of protest. In case of refusal to accept, the banker in the importing country must cable to Canada for instructions as to the disposal of the shipment. Most banks have special regulations governing the collection of drafts. As a rule, however, while taking every precaution, bankers decline all responsibility in case of the loss of drafts or documents. Similarly, if in consequence of non-payment of drafts, the foreign bank has to take delivery of the goods on arrival, all arrangements and proceedings are made at the risk and expense of the exporter. If drafts are sent for collection, the instructions given by the exporter to the banker should be very explicit, and indicate clearly how the funds are to be returned, on whom the interest falls, and who has to bear the charges for collection, stamps, etc.[27] In the case of discounted bills, instructions to bankers should also be precise. Instead of discounting drafts, some bankers grant to customers in whom they have entire confidence a general credit which can be used to cover advances for various transactions up to 75 or 80 per cent of the amount of each invoice. These credits are issued for a fixed term, say six months, but may be renewed. As soon as the drafts are paid by the drawee, the amounts which they represent are available for new credits. This is the "revolving" credit of which we give a fuller explanation later on [28].

[27] See G. F. Towers, *Financing Foreign Trade* (Montreal, 1921), page 22 ff.

[28] See p. 172.

Acceptance credit, which is largely employed in the United States and Europe, is not used in Canada. This form of credit might well be made use of here, as it is very advantageous to the exporter and not burdensome to the bank concerned. By this method an exporter who has, for example, sold goods in Buenos Aires, issues two drafts, one at 60 days on his purchaser, the other at 90 days on a local bank. He delivers the first draft to the bank which sends it for collection, and has the second accepted by the bank. He can then easily negotiate the second draft, which will only be payable by the bank after the first one has been paid at Buenos Aires. This allows an exporter to realize on the value of goods sent abroad without calling on his banker to advance funds. Obviously, if after 60 days the first draft has not been paid, he must cover the banker before the second matures. The shipping documents have been sent to the foreign banker at the same time as the first draft at 60 days. The banker, who is then in possession of the goods, will only remit the documents he has at Buenos Aires to the drawee against payment of the draft, or, at least, against his acceptance and promise to pay the bank. Notice of payment is sent by cable to the exporter at Montreal.

CHAPTER VI

THE CREDIT ORGANIZATION OF EXPORT TRADE

(*a*) *General Principles.*

FROM the point of view of export trade, no question is, perhaps, more important than that of credit [1]. It is possible for a trader to carry on business in his own country on relatively short terms—about 30 days—but such terms are impossible in the case of an exporter who wishes to sell abroad and meet successfully competition from countries

[1] At the thirteenth Convention of the National Foreign Trade Council held at Charleston in 1926, E. B. Filsinger and D. W. Fernhout gave an excellent survey of the question from the point of view of American exporters. This discussion has been published in the form of a pamphlet : *Is credit necessary in export trade?* It is interesting to note their conclusions, which are :

(1) Credits are essential to the extension of American foreign trade.
(2) They may be safely granted. The credit losses, when proper investigation has been made, do not exceed one-half of 1%.
(3) Credit information regarding foreign buyers can be obtained without difficulty.
(4) An open-minded attitude is essential. There should be no sweeping generalization. Each case must be treated on its own merits. *Ibid.* p. 27.

Finally the authors place this question before American exporters : "Which shall it be? Shall we take the easiest road : refuse to grant credits, be content to pick up a little export business now and then, forego the profits in real exporting and suffer as a nation in prestige, power and influence for the world's good? Or shall we use our brains and our resources in pushing American goods into the four corners of the earth, in building new profits and in spreading with our merchandise our influence and ideals? Which shall it be?" *Ibid.* p. 51.

Everything appears to indicate that the Americans have replied in the affirmative to the second part of this question which we might well ask ourselves in Canada.

which have as part of their tactics of penetration the granting of long term credits. This is an aspect of the problem to which many of our exporters have not so far given sufficient attention. The method of exporting which necessitates cash payments [2] for the goods when they leave the factory, or even at the port of embarkation, obviously makes for the greatest security to the exporter, but it will not produce much business if competitors grant more advantageous terms of payment. Exporters obliged to submit to conditions which vary from place to place, must resort to banks specializing in export business—acceptance houses, as they are called in England. These assist exporters not only, as we have seen, by discounting clean or documentary bills, but also by opening credits in current accounts or by authorizing overdrafts up to a fixed amount, which are not repaid on a definite date or all in one sum, but in proportion as payment is made by foreign purchasers on matured invoices. All banks, of course, collect on bills and drafts in various parts of the world, and according to the financial standing of the customer grant him either a certain credit before collection, or require him to wait until a satisfactory guarantee has been received.

Banks specializing in export business are, therefore, very desirable, and ought to be established in Canada at no distant date. For the present, it is obvious that if we wish to develop a large export trade, we must see to it that our banks interest themselves in this important matter, and that some of them at least may undertake to provide the exporter with the special services he needs for his transactions—those services for example, which his competitors receive from their own banks in foreign countries. Such help is considerable, since independently of credit grants

[2] See H. Laureys, *Le Commerce extérieur du Canada*, 1922, pp. 41 ff.

and other conveniences which all banks provide, it includes the giving of all the information exporters require as to the solvency of customers, conditions of transportation, customs regulations and other useful and sometimes indispensable details for successful trade in foreign lands. It is also desirable that banks should be able to put exporters in touch with competent and reliable agents in all parts of the world.

Generally speaking, export credits must be long. In practice, even in the case of a cash sale, the exporter from Montreal or Toronto, for instance, who sends goods to Australia, cannot expect payment in less than 50 or 60 days. The goods take 25 to 30 days to go from Montreal to Melbourne or Sydney, and the money remitted by the purchaser on their delivery takes nearly as long to reach Montreal. One can see, then, how capital would be tied up and negotiations hampered if the exporter could not obtain the necessary credit from the bank between the time of sale and collection. In export trade, not only is it uncommon for sales to be made on a cash basis or for goods to be paid for in advance—as certain less progressive exporters insist on demanding—but credits of 30, 60 and 90 days are not always sufficient to secure business in competition with other countries, notably with Germany. Here is what P. Etienne has written recently on this latter point[3]: "The Germans give, as a rule, credits of six or eight months or even longer, with facilities for extension. Credits of a year are not uncommon with them. Moreover, they send goods on consignment, and payment is made only after sale or at an extremely distant date." It is by means of this system that Germany has succeeded in planting herself in all parts of the commercial world and in

[3] P. Etienne, *Le crédit et l'exportation*, Journal technique du Commerce Extérieur (Paris, May, 1926).

attaching to herself satisfied customers who at times found themselves tied up financially. German exporters are willing to arrange for new orders before the old ones are paid for, and in this way they become, in a sense, business associates of their foreign customers. Before the war, however, German industrialists and merchants were not themselves in a position to grant millions of credit all the world over, delivering goods which remained unpaid for over long periods. Nor are they in such a position today. It is the financial institutions of Germany which, in close co-operation with industry, have made possible this development. What they accomplished in pre-war days the Germans are on the way to achieve once more and by utilizing the same methods. In the Orient, especially, the activity of German exporters, manufacturers and financiers is evident, and can also be seen at work on similar lines in Russia and South America. Meanwhile, these same Germans, who have already realized so much in this matter of export trade, are complaining that their banks do not give them adequate support. What must we say, then, of other countries—our own in particular—in which the efforts of banking concerns in this field are of so modest a character ?

There are, of course, real difficulties which hamper banks in aiding these transactions. "The problem which faces them is this : how to assure, with a minimum of risk, cash payment for goods sold abroad by an individual manufacturer or trader—goods sold either directly or through an intermediary in a foreign country, products which represent a considerable outlay and are sold on varying conditions of payment, usually long term credits [4]." In the above passage, Caillez has explained the two prin-

[4] M. Caillez, *L'Organisation du crédit au commerce extérieur* (Paris, 1923) p. 27.

cipal difficulties in the matter, one arising out of the prevailing bank technique, the other resulting from economic and political conditions. The present banking procedure in these matters results in difficulties with regard to credits and the nature of the guarantees which bankers demand. Economic and political factors include the absence of information as to the purchaser, which obliges the banker to restrict his credit to such guarantees as the exporter can provide ; the political instability of the purchaser's country ; the inadequate legal protection of the exporter in that country, and the imperfections of the currency system.

All this shows that while it is indispensable for the exporter to obtain from the banks the credit he needs, it is just as important that they should, in addition, furnish him with all the available commercial intelligence. In this way they will provide him, without undue risk to themselves, with all the assistance he requires for the successful operation of his business. Foreign trade, in fact, has become almost impossible without the intervention of a bank which specializes in business of that kind. Such banks, indeed, are the pioneers of national expansion. We need scarcely add that it is infinitely better to deal with home banks than to make use of foreign banks for such purposes. Consequently, if we wish to secure for Canadian manufacturers markets in the Orient, South America, the Balkans, or elsewhere, our banks must establish branches in these countries, or better still, we should organize as soon as possible one large bank specializing in foreign trade. It is true that several of our banks—for example, the Bank of Montreal, the Royal Bank, and the Banque Canadienne Nationale—already have branches in London, New York and Paris. Others have correspondents in the principal cities of foreign countries. The

Royal Bank of Canada alone has established branches in numerous foreign lands, notably in South America and the West Indies. It appears determined to become a foreign trade bank, and has organized for the purpose a special department at its head office in Montreal. Obviously, since at present nearly all our foreign trade—about 80% of the total—is with the United Kingdom and the United States, the great majority of payments are made in those two countries, and Canadian banks are already located there in consequence. Moreover, New York and London are the two principal foreign exchange centres of the world [5]. In these two cities many Canadian loans have been issued. There the interest on such loans is payable, and there in short, numerous transactions which affect Canada are carried on. But all this does not prevent our pointing out that, if we neglect other countries in these matters, our commercial penetration will be made more difficult. On the other hand, we must not be in too great a hurry. Special banks for export trade must not be developed in this country regardless of the demands of trade itself or out of proportion to business conditions. They ought to follow or, at the most, accompany industrial and commercial development, not precede it. The foreign departments already created by several Canadian banks are for the present in a position to meet our most pressing needs, and the branches which certain of our financial institutions possess in foreign lands can, for some time at least, assist our exporters sufficiently to dispose of their goods in foreign markets. When the need for improvement in these matters makes itself more strongly felt, we shall

[5] G. F. Towers, director of the foreign department of the Royal Bank of Canada, stated that 87% of our total foreign trade is done with countries in which Canadian banks have branches. *Banking and its relation to foreign trade* (Montreal *Gazette*, Jan. 7, 1921). This fact is conclusive and confirms our general arguments.

doubtless create one or more banks devoting themselves to export business ; or our existing banks can enlarge their foreign departments and create new branches abroad in places where possibilities are favourably reported on by our exporters. Besides, it is wise to remember that our powerful neighbour to the South has only possessed these facilities since 1913. Before that date, American banks had practically no connection with foreign countries. With the creation of the Federal reserve banks [6], however, they have extended their banking facilities in such a way as to encourage the export of American goods to all the markets of the world. Important banks such as the National City Bank of New York, the Equitable Trust Company and the Guaranty Trust Company have opened agencies in the principal cities of Europe, South America, China and India.

It is necessary to add that the creation of special banks will not in itself meet all the difficulties we have mentioned. Since the War, indeed, we have seen in many countries banks which found themselves on occasions powerless to aid the unfortunate exporter. The embarrassing financial condition of certain countries after the conclusion of hostilities necessitated the granting of much longer term credits than those to which the banks had previously been accustomed. The depreciated currency of Rumania, Germany, Finland, Czechoslovakia, etc., prohibited these countries from purchasing in England, France, Belgium, and notably in Canada and the United States, without obtaining credits for several years. On the other hand, it was a matter of urgency that remedies should be found for the unsettled economic condition of such countries. The Great War had disastrous economic effects on all the

[6] The argument for a central bank in Canada would receive support from the possibilities of export trade.

belligerents, and finally towards the end of 1919 an acute situation arose which led to a complete break in business relations. On the one hand, consuming countries with the greatest needs, but with very precarious financial resources and an inflated currency, found themselves unable to purchase. On the other hand, industrial countries with a more stable currency and their factories running at capacity, saw unsold stocks accumulate from day to day and so were forced to restrict their output. Little by little their production ceased altogether and thousands of workers were thrown out of employment. Obviously an ordinary bank dealing with export business was not sufficient to cope with such a situation, as it could not meet the increased risks. It was therefore considered an opportune moment in many countries to start building up, with the aid of the State, a systematic official organization for handling export credit and so to secure at one and the same time orders for factories and markets for exports. It will be of interest to study what has been accomplished in this way in various foreign countries, and to attempt by comparison to demonstrate what appears to have been the best solution for the difficulties of the period we have mentioned.

But first we must observe that, in contrast to that of many other countries, our own position can be clearly defined. Our attempts to increase export trade by government intervention have not been numerous or even fortunate. In 1919 the government of Canada sought by granting credits to encourage the export of manufactured products from the Dominion to Italy, France, Greece, Belgium and Rumania. The effort was a commendable one, but unfortunately the final settlement of these transactions, although carried out between the governments concerned, appears to be much more difficult than had been

anticipated, at least in the case of Greece and Rumania[7]. Speaking generally, and judging from Canadian experience in these matters in recent years, one must conclude that State intervention in commercial affairs, however useful and occasionally indispensable, ought not to be continued longer than is absolutely necessary. Trade needs freedom. All hindrances, all systems of control, even—and perhaps especially—those supplied by the State, tend to restrict normal development. The initiative of traders and their spirit of enterprise ought rather to be kept continually on the alert by the stimulus of competition and the inevitable risks to be run. Except in times of extreme stress—such as those we passed through from 1918 to 1923—all artificial reductions of business risks ought to be avoided in order to safeguard the principle of fair compensation to the trader according to his merits.

Countries which have officially come to the assistance of their exporters have done so in three different ways. In the first place, certain countries, such as the United States and France[8], have helped them by means of state organization of banking facilities for the discounting and acceptance of drafts. Other countries, such as Great Britain, have made the State the guarantor of doubtful or long term drafts drawn on foreign countries, and which the banks, because of the enormous risks, refused to discount or

[7] The Hon. P. C. Larkin, Canadian Commissioner in London, arranged with the Rumanian Government a settlement of its twenty-four million dollar debt to Canada, by which Rumania had to issue bonds for this amount, paying interest at four per cent. semi-annually and providing a sinking fund of one per cent., beginning October, 1927. Bonds purchased and cancelled up to 1928 amounted to $2,300,000, which adds to the security of Rumania's debt to Canada. $5,700,000 interest has been paid during the last five years. A similar plan would have settled the debt of Greece to the Dominion.

[8] By the creation of the War Finance Corporation in the United States and of the Banque Nationale du Commerce Extérieur in France.

handle except at a prohibitive rate [9]. This state guarantee, by eliminating the risk to the banker, enabled the exporter to discount such drafts without difficulty. Thirdly, certain countries have granted credits to each other, the transactions being made by their respective governments [10] in order to facilitate the exchange of goods, which had become impossible owing to incessant and appreciable fluctuations in the rate of exchange.

At the International Financial Conference held at Brussels in 1920 under the auspices of the League of Nations, two schemes for international credits suggested by Delacroix (Belgium) and Ter Meulen [11] (Holland) were discussed at great length. The latter was adopted by the Conference. It had for its chief object the assistance, by means of a state guarantee, of the manufacturer or trader desiring to import absolutely essential raw materials or goods, but unable to secure for himself the necessary credit at the bank. The State played only the rôle of guarantor, and did not itself enter into the transaction. Bonds issued by the government of each country adopting the scheme, up to the amount of the gold value of securities, were to be loaned by the governments concerned to their private citizens so that they could pledge them as security for import credits. These bonds were to be deposited as "collateral" for the credits, the governments furnishing them only to those whom they judged worthy of such assistance, and under conditions which eliminated all risk, often in return for real guarantees or pledges.

[9] England created for this purpose the Export Credits Department within the Overseas Trade Department—see later pages.

[10] The case of credits granted by Canada to Rumania, Greece, etc., mentioned above. A similar arrangement was concluded between Rumania and Switzerland.

[11] A. E. Sayous, *Le projet Ter Meulen* (Revue Economique Internationale, Jan., 1922).

The bonds were to be drawn up in the money of the loaning country, or in that of another country with a stabilized currency. This scheme, in spite of the interest which it had for countries with a depreciated currency, has remained a dead letter. Soon after its adoption by the International Conference, it met with objections from all sides ; and the bankers, when consulted as to the reception they would give to Ter Meulen bonds when offered to them as guarantees, showed themselves to be very conservative. The project, moreover, was of more value to countries such as the United States and Canada which possess large quantities of raw materials to dispose of, than to France, Belgium or Italy, the countries which it was intended to help, and which sought these materials only with a view to manufacturing them for export. Consequently the Ter Meulen scheme cannot be compared with the actual export credits and other measures provided in France, England, Belgium, and the United States, as aids to the export of manufactured goods.

These measures vary with the countries concerned, and although they have certain features in common, the methods employed in carrying them out differ. We give here a summary of those adopted by the principal exporting countries.

(*b*) *The German banking organization.*

First let us briefly glance at the past history and present situation of that German banking organization so often cited as an example to other nations, and to which beyond doubt German exporters owe a large measure of their success. It is fair to say at the outset, however, that German banks enjoy such a high reputation, because they are judged by the success which intelligent and painstaking German exporters have everywhere achieved in co-operation with

them. In organization itself the Germans have invented nothing new. Foreign trade banks under the name of acceptance houses are essentially of British origin, but the Germans, after studying their operations, have with great ability adapted the procedure [12] of these institutions to their own needs. German commercial success in foreign lands dates from the time when the banks of that country adopted the system of credits and all the mechanism of foreign trade banks which had been so successful in England.

Nearly thirty years ago [13], G. Blondel affirmed that "one cannot stress sufficiently the place which the banks have occupied in the economic life of Germany and the liaison which exists between them and industry. The usual work of the banks becoming less and less remunerative, German financial houses have endeavoured to assist in the creation of industrial enterprises of which they became sleeping partners through the money they invested. The deposits of the public were thus lent to industry. Advances for the building of factories, the formation of working capital, the improvement and renewal of equipment, advances made in times of crisis to support enterprises—all were given freely and without question, provided that the man at the head of affairs was recommended for his honesty and intelligence, and that the business he conducted showed fair prospects of success. The banks, of course, took advantage of such guarantees as they could get. A large number of factories, for example, were mortgaged to them, often for more than their actual value ; but without these loans many manufacturers could not have built plants or kept them going. These

[12] At present Germany is studying more carefully than ever the institutions responsible for the success of other countries.

[13] G. Blondel, *L'Essor industriel et commercial du peuple allemand* (Paris, 1900), p. 467.

financial establishments have proved useful to commercial life in general, not only to industry properly so called. The generous manner in which they gave discounts deserves notice. As they accepted long term bills (six months to a year) on foreign countries, and even on most distant countries on a single signature, the rate was occasionally very high, but the trader in such cases preferred rather to see his profits reduced by a high discount and to receive his money immediately than to wait until his draft matured. This method also permitted the less important houses with only a small working capital to extend their business to overseas countries. The larger German financial institutions, of course, nearly always have branches in foreign lands. When exports appear to be developing in a country, they establish there an agency which provides traders with exactly the same facilities as in their fatherland".

It is thus evident that these German banks were much less banks of deposit than commercial and industrial banks specially created to cope with the needs of trade and industry. This great evolution of German banks, especially as regards foreign trade facilities, dates back to the Franco-Prussian war. Up to 1870 the increasing exchange of goods between Germany and other countries had been effected chiefly through English banks. Germany did not hesitate to free herself from a tutelage which hampered her progress. The "Deutsche Bank" was created in 1870 for the purpose of transacting every type of banking business, but especially to foster and facilitate commercial relations between Germany and other countries, and to penetrate into new markets overseas. It was the first organization in Germany to concern itself in a continuous way with foreign trade, and from 1870 to 1875 it founded various agencies both in Germany and abroad. In spite

of some reverses it became, after 1875, along with the "Diskonto Gesellschaft", a powerful organization for foreign trade purposes. A large number of banks were created in foreign countries as subsidiaries of these banks. Each time, in fact, a need of this kind made itself felt, the banks organized a new company of which the capital stock belonged wholly or almost entirely to the creating banks, and this method of procedure still obtains. This distribution of risks is, of course, a substantial advantage. Experience has also led the Germans to create banks specializing in export business with specific countries [14]. They have well understood the advantages to be reaped from having different banks for each commercial area of the world. Such banks can study and become thoroughly familiar with local conditions, a very different matter to having a single bank whose scattered activities in various foreign places has only a superficial and inadequate influence [15]. For the American trade, for example, there was created the "Deutsche Uberseeische Bank" [16] established by the Deutsche Bank in 1886 for trade in South America ; the "Brasilianische Bank für Deutschland" for trade in Brazil, where it established four branches ; the "Bank für Chile und Deutschland" which had five branches in Chile and Bolivia ; the "Deutsche Sud-Amerikanische Bank"; the "Mexikanische Bank für Handel und Industrie"; and finally the "Deutsche Amerika Bank" which con-

[14] The numerous branches which German banks possess in all the countries of Europe, and the Reichsbank, are not included. The former play the same rôle as banks specializing in foreign trade, but in Europe the trade between adjacent states on the continent is not generally considered as export trade. The latter is chiefly a bank of issue.

[15] M. Caillez, *L'Organisation du crédit au commerce extérieur* (Paris, 1923), p. 74.

[16] Better known in America under the Spanish name of "Banco Aleman Transatlantico". It had 18 branches in Argentina, Chile, Mexico, Peru, etc.

cerned itself especially with trade with the United States. For the Far East, the "Diskonto Gesellschaft" was created with the co-operation of all the other German banks and the "Deutsch-Asiatische Bank" which had its headquarters in Shanghai and numerous branches in China and Japan. For Central Europe the "Diskonto Gesellschaft" created the "Banque Générale Roumaine" at Bucharest and the "Banque de Crédit" at Sofia in Bulgaria. In the Near East the "Orientbank", created by an association of German banks, was established at Constantinople, Cairo and in Persia. Since 1909 there has also been under its control the "Deutsche Palästina Bank" (now called "Westbank Aktiengesellschaft"), established in Palestine, where it has greatly assisted in the development of German trade. Finally, in Africa—after great difficulties it is true —Germany, after 1905, established numerous colonial banks, notably the "Deutsch-Ost Afrikanische Bank", the "Deutsche Afrika Bank" and the "Deutsch-West Afrikanische Bank", all subsidiaries of the German banks already mentioned. Sufficient has certainly been said on this subject to prove that in those days Germany possessed a banking organization of the first magnitude, specializing in foreign trade. It should also be added that the German government itself showed a zealous interest in the welfare of such banks, assisting them occasionally in an official manner to achieve their ends, but giving them secret support at all times.

"The German state", writes Caillez, "has constantly played the rôle of protector in the life of overseas banks. Not only has it placed at their disposal, unofficially, pecuniary assistance in their moments of difficulty, but above all it has given them the official support of its administration, diplomatic staff and consular agents, supplying through them all the information it acquired

concerning the economic and political situation in every part of the world. Whereas in many countries the expansion of banks in foreign lands has been left entirely to individual initiative, the German government has ever been interested in such matters, recognizing the immense moral and material advantages accruing to a nation adequately represented in foreign countries. It has, in fact, made it possible for large establishments to swarm overseas and capture trade in various ways. It has powerfully sustained them in making treaties with foreign powers, gaining for them concessions of work and orders for equipment and material, helping them, in fact, in every way to succeed in the struggle which had to be undertaken either against inertia in the countries where they penetrated or against European rivals already established there" [17]. The same author recalls that in 1914, Mr. A. Liesse said on this same subject : "When one studies the activities and management of the German banks, one cannot avoid noticing that after all the elements in their system have been analyzed, there still remains a factor which escapes, that is, a secret activity, a subterranean activity, namely, the activity of the government" [18].

So solid, indeed, was this German economic structure that the Great War, with all its disastrous consequences for Germany, has not resulted in the disappearance of their banks from foreign trade. At the worst, during the earlier years of the War—from 1914 to 1917—their operations were upset, just as was the case with the banks of all the other countries engaged in the great conflict. Today, all these banks have resumed their former activity, and are endeavouring, even in those countries hostile to Germany,

[17] M. Caillez, *op. cit.*, p. 86.

[18] A. Liesse, Conférence au Conservatoire National des Arts et Métiers (Paris, 1914).

to reconquer the place held before the War by the products of German industry.

With the beginning of 1924 [19] the majority of German establishments overseas were released from war time control, and the activity of her financiers was shown in a remarkable way. The "Deutsche Ueberseeische Bank" of Berlin, a branch of the Deutsche Bank, returned to every locality where it had operated in pre-war days, and since then its business figures have already nearly reached the old levels in South America. It is in active competition with the Deutsch-Südamerikanische Bank supported by the Dresdner Bank, the Darmstädter and National Bank, which are equally on the road to recovery. The Deutsche Antioquia Bank has recovered its old place in Colombia. In Turkey the Deutsche Orient bank has developed rapidly and extended its influence into Egypt. The Diskonto Gesellschaft is represented in Brazil by the "Banco Brasiliero-Allemao", in Chile by the "Banco de Chile y Alemania", in the Far East by the Deutsch-Asiatische Bank of Shanghai. Many German establishments have energetically attempted to re-occupy the advantageous positions which they held in the Balkan States before the War. The following statistics show more exactly the position of German banking enterprise overseas at the present time : in 1914, there were 16 large German banks established in foreign countries in 120 localities ; by the end of 1926, 10 of them had resumed their activities with 79 branches in operation, all told.

The Germans appear to neglect nothing in these matters, and for some years, with a view to facilitating export trade, German industrial and banking concentration

[19] Extracted from the *Bulletin d'Etudes et d'Informations de l'Ecole Supérieure de Commerce St. Ignace* (Antwerp, March, 1928), p. 136.

has been strongly accentuated. A company was formed at Mannheim by a group of manufacturers in South Germany for the purpose of re-establishing the commercial relations interrupted during the War with the states of La Plata (Argentina, Uruguay, Paraguay) and Brazil. Offices have been established at Buenos-Aires and Rio de Janeiro and branches of these set up in the important inland cities of South America [20]. Moreover, aided by the government and the Reichsbank, the large German banks for export trade (the Deutsche Bank, Hanoversche, Würtembergische, Braunschweigische, Gothoische and the Hildesheimerbank) have amalgamated. This merger has been followed by an increase in capital of 125,000,000 marks. On the other hand, two attempts at new organizations have failed ; one of them, the Deutsche Export Bank, because the various existing credit establishments demonstrated its uselessness, the other, the system of protection by means of liens on goods in process of manufacture, because it proved too difficult to carry out [21].

In 1925 the German government introduced two export credit schemes, one exclusively for Russian-German trade, the other for trade with the rest of the world. For the latter, the government set aside 10,000,000 marks, taken from unemployment relief funds, to be devoted to the purpose of guaranteeing export transactions. This amount was divided between two schemes, namely, the government scheme and the scheme put forward by Hamburg exporters.

[20] *Bulletin d'informations économiques du Haut-Commissariat de la République Française dans les provinces du Rhin,* cited by Caillez, *op. cit.*, p. 108. The "Deutsches Ausland-Institut, museum und institut zur kunde des Auslanddeutschtums und zur förderung Deutscher interessen im Ausland" is an active institution partly supported by the government for the encouragement of trade as well as friendly relations with Germans in other countries.

[21] A system by which the creditors, bankers or sellers of raw materials would have a lien on the goods during the time in which they were being manufactured and up to the sale of the finished product.

Both of these, unless especially extended, were to operate until 31st December, 1927.

The government scheme—often called the Berlin scheme or scheme A—was based on a contract made with two insurance companies, covering insurance on sales against bills, cash against document transactions, and in a few special cases, book debts. The insurance companies were liable for losses up to 66⅔% of the invoice amount. The government assumed catastrophe risks up to 5,000,000 marks ; risks above this figure were covered by re-insurance companies.

Under the Hamburg exporters' scheme—sometimes called scheme B—the bank was insured against loss in the event of the failure of the German exporter who bore the initial risk. The scheme was operated through the same two insurance companies as the government scheme, which took two-thirds of the risk, the remaining third being assumed by the bank. The government also accepted catastrophe risks on the lines laid down in its own scheme.

The plan introduced for assisting German-Russian trade was subdivided as follows :

Part I.—The organization of a general scheme for guaranteeing credits on goods exported to Russia.

Part II.—The financing of orders on the basis of the scheme.

The government regulations deal with the organization of a general scheme to cover the export of goods to Russia up to the value of three hundred million marks, for one-half of which credits were to be given on deliveries of light goods up to 31st December, 1928, and for the other half credits were to be given for deliveries of heavy installations and plants up to 31st December, 1930. With regard to the risk of loss, 35% of this is borne by the government, 25% by the state or states in which the works are situated, and

40% by the German firm concerned. The latter is required to take up a first guarantee to the amount of 20%.

The financing of orders under Part II of the scheme is carried out in the first instance by a group of banks under the leadership of the Deutsche Bank. The latter have only agreed to finance goods delivered up to a value of 120,000,000 marks, of which a four years' credit can be given for 80,000,000 and a two years' credit for 40,000,000. The government, however, has offered rediscounting facilities to the banks for 35% of the credits granted. The scheme, in so far as it covers the remaining 180,000,000 marks, can be utilized by firms capable of financing themselves [22].

A special scheme [23]—known as scheme C—was authorized in December, 1926, under which the government was empowered to undertake guarantees up to a total of 175,000,000 marks for the promotion of German export trade.

The following details are of interest :

(*a*) Of the total, 30,000,000 marks were to be used for extending the three types of export credit insurance described above.

(*b*) 25,000,000 marks were allotted to loans to exporters.

(*c*) 20,000,000 marks were set aside for promoting the export of agricultural products.

The remaining 100,000,000 marks were to be applied to financing large foreign orders placed in Germany, particularly tenders of foreign governments which Germans could not otherwise secure.

With regard to the first two schemes, these completed

[22] *Report of the Economic and Financial Conditions in Germany,* 1925-6, by J. W. F. Thelwall, M.C., Department of Overseas Trade, (London,) p. 33.

[23] *Report on Economic and Financial Conditions in Germany to July, 1927,* by J. W. F. Thelwall, commercial secretary, Berlin, *ibid,* p. 30.

their first year in the middle of April, 1927, and it was stated in the press that insurances amounting to about 37,500,000 marks[24] had during that period been approved under scheme A, while the Hamburg scheme had not proved popular and had been utilized to the extent of less than 1,000,000 marks. The introduction of the so-called comprehensive insurances under scheme A would, it was hoped, serve to extend its advantages still further ; under these comprehensive insurances the exporter makes an agreement with the export credit insurance authorities for a maximum sum for one year in respect of all his customers in a given country.

The scheme for Russian-German trade was due to expire on 31st December, 1926, but since at the beginning of that month less than half the proposed total had been taken up, an extension until 31st March, 1927, was agreed to by the Reichstag. As at this date it was ascertained that the various branches of the Russian Trade Delegation at Berlin had placed orders to the value of 66,000,000 marks over and above the amount provided for in the guarantee, an adjustment of the latter to include this extra amount was agreed to by the Reichstag on 7th April, 1927, which increased the responsibility of the government by 23,500,000 marks. A corresponding increase in the 25% guarantee of the individual states was not found necessary, as the sums originally authorized had not been used up. The result of the scheme may be summarized as follows : Of the total guarantee of the Reich (105,000,000 marks) a sum of 17,600,000 marks (equal to about 51,000,000 marks' worth of orders) was set aside for facilitating German transit traffic through

[24] Later statistics give 56,600,000 marks, of which 25,400,000 marks are for European business and 20,600,000 marks for Central and South American orders.

Russia, assisting German concessions, financing deliveries by the German small ironware industry and other contracts of less than two years' duration. Thus a Reich guarantee covering orders for 249,000,000 marks was left for the specific purpose of the scheme. Owing to the extension of the guarantee by 23,500,000 marks for the additional 66,000,000 marks' worth of orders, the total orders finally placed under the scheme and guaranteed by the Reich amounted to 315,000,000 marks, apart from 51,000,000 marks set aside for special purposes.

(*c*) *The English Banks.*

For many years the English banks assisted the exporting countries of Europe, as well as the United States, to do business in foreign lands. During the latter part of the 19th century, however, their influence diminished because as we have seen, Germany, following the development of her industry, organized the foreign trade banks whose progress we have briefly indicated above. In consequence, France, Belgium, Austria and Holland have also endeavoured to free themselves more and more from English banks and to transact business through banks of their own. Since 1914 the United States has also begun to establish banks in foreign countries. This does not mean that English finance, properly so-called, is in danger. The banks in that country, however, operate in a different way to that which was usual some years ago. In world commerce they will ever occupy a formidable position. The numerous ramifications of English banking business throughout the world have been of powerful assistance to all who have had the privilege of using them. In a similar way to its vast merchant marine, the banks of Great Britain have proved of untold value wherever commercial expansion is concerned.

English banks may be described as specialized in certain lines. One can, therefore, classify them in a way that would not be possible in the case of other countries. One finds in England [25] deposit banks—private and joint stock banks—bill brokers, a sort of broker in bills of exchange, intermediaries between bankers and traders [26], together with merchant bankers or foreign and colonial banks which are commercial banks or acceptance houses organized specially for foreign trade. The latter will be of particular interest to our readers.

The financing of large undertakings in trade and exchange, and the placing of loans, are in Great Britain in the hands of the merchant bankers and the foreign and colonial banks. The "merchants" besides the commercial transactions with which they are primarily concerned, play the rôle sometimes of credit banks, sometimes of financial organizations, sometimes both of these to a greater or less extent, concerning themselves only in an accessory way with deposits. The colonial and foreign banks, as their name indicates, are institutions which—although British in origin—have for the most part no sphere of action in Great Britain itself. These colonial banks are financed by British capital and their directors are British, their headquarters in many cases may be located in London with agencies in the colony concerned ; but sometimes the head office is in the colony and there is only an agency in London.

The overseas banks, in all their agencies, are concerned incidentally with all the usual banking operations. Like all other credit establishments in Great Britain they even

[25] Just as we have not mentioned the Reichsbank in Germany we shall not discuss the Bank of England, whose rôle of "bank of banks" is well known.

[26] These intermediaries are necessary, since the deposit banks do not discount directly bills of traders.

accept deposits in order to extend their activities, but their principal purpose is to encourage export trade in every way possible, a purpose which they fulfil admirably. From the start to the finish of a transaction they follow the exporter's interests and help him on. In far-off countries where they have agencies such banks enjoy an exceptionally favourable position. They have gained the confidence of the natives because of the constant services which they render them. They are, in consequence, in a better position to act as agents and to gather reliable information on matters of trade than is the case with banks of other countries [27].

These banks for foreign trade not only specialize according to the nature of the business chiefly carried on in the countries where they operate, but they even specialize in regions where different business activities have to be watched and developed. Foreign banks, therefore, are concerned with foreign trade outside the Empire, colonial banks engaging only in inter-Empire trade. There are about 20 foreign banks with over 200 branches in different parts of the world. The chief ones are : The London and Brazilian Bank, the London and River Plate Bank, the Hong-Kong Shanghai Corporation, the Yokohama Specie Bank, the Lloyd's and National Provincial Foreign Bank, the British Bank of South America, and others. The colonial banks are at least 40 in number with over 4,000 branches scattered throughout the Empire. The most important are : the Bank of New South Wales, the Bank of Australasia, the National Bank of South Africa, the Union Bank of Australia, the Chartered Bank of India, the Bank of New Zealand, the Bank of Victoria, Com-

[27] See M. Charora, *Les banques anglaises et allemandes* (Lyons, 1913). For a short general description of English banks, see C. R. Fay, *Great Britain from Adam Smith to the Present Day* (London, 1928), pp. 97-130.

mercial Banking of Sydney, the Standard Bank of South Africa [28] and others. Recently Barclays Bank, Ltd., of London, established a bank under the Canadian Bank Act, known as Barclays Bank (Canada) [29]. Barclays Bank of London is one of the "Big Five" joint stock institutions of Britain, with resources as shown by its balance sheet of 30th June, 1928, amounting to approximately $1,800,000,000. For some time past this bank had been represented in Montreal by a subsidiary company under the title of "Barclays (Canada) Ltd.", but owing to Canadian banking laws it had been able to render only very limited services, and had not been in a position to offer the facilities of an agency or branch bank representing the "Barclays group". The new Canadian bank has an authorized and paid-up capital of $500,000, with a reserve fund of similar amount, the majority of the capital being subscribed by Barclays Bank, Ltd., and "Barclays Bank (Dominion, Colonial and Overseas)." This latter institution was formed in February, 1926, by the amalgamation of the National Bank of South Africa, the Anglo-Egyptian Bank and the Colonial Bank, with the object of furthering imperial trade interests. It has branches in most of the important centres of the Empire. The creation of this new Anglo-Canadian bank will facilitate large investments of British capital in Canada, and will provide a new and direct channel through which intending or actual investors residing in Great Britain may secure advice as to Canadian prospects, or may be kept in touch with investments already made.

[28] There is no mention made here of the large Canadian banks (Bank of Montreal, Royal Bank of Canada, Canadian Bank of Commerce, etc.) which from the English point of view would be included in this category. The capital of these banks, although partly subscribed in England, is substantially Canadian, the financial management is in Canada, and the London offices are only branches. From the point of view of the trade of Great Britain with our country, these banks obviously play the same rôle as other banks scattered throughout the British Empire.

[29] The *Official Gazette*, Ottawa, Dec. 14, 1928.

With few exceptions, and in contrast to the tendencies we have noticed in the case of Germany, all these British banks are joint stock companies. Still, both nations have recognized in the same way the necessity of such banks specializing according to regions or countries. Each devotes its activities to a particular territory, because a bank which aims at disseminating its influence over different parts of the globe may only result in a weak tower of Babel. The first duty of a bank specializing in foreign trade is to acquire a thorough knowledge of the country where it is established ; it is on this basis only that it can render to traders the services which they have a right to expect of it. How, if its activities cover the whole world, can it acquire this thorough knowledge of a particular territory ? The English understand this very well, and that is why they limit to one country the activities of such banks. Relations are established in every case with merchants, administrative officials and native governments, and are maintained as closely as possible [30].

British banks for foreign trade engage in all ordinary banking business and grant credits according to the generally accepted methods, such as the discounting and collection of clean and documentary drafts, credits by acceptance, confirmed and otherwise, etc. Moreover, they use four special devices, all simple and ingenious, for the assistance of exporters—the overdraft, the letter of lien, the letter of hypothecation and revolving credit.

The *overdraft* is a means by which a duly authorized exporter draws on his banker for amounts greater than those placed to his credit. Generally, in proportion to his financial standing, he is assigned a certain limit beyond which he must not go. This device is frequently employed by British exporters who are not themselves manufacturers.

[30] M. Caillez, *op. cit.*, p. 120.

It allows the exporter, by means of drafts which the banker accepts without cover, to pay the manufacturer at the time the goods are shipped. The goods can then become the banker's guarantee if the exporter delivers to him the documentary draft which he draws on the foreign purchasers.

The *letter of lien* is a document which the exporter signs when he negotiates his documentary draft and thus recognizes by his signature that he cedes to his banker the ownership of the goods shipped. The banker sends the draft, documents and contract to his correspondent in the country of destination. The latter will, before delivering up the documents, obtain the purchaser's signature to an agreement by which the latter receives the goods in trust for the account of the bank in order to warehouse and insure them and then turn over to the correspondent bank the amount of the sales up to the total payment of the sum due.

The *letter of hypothecation* continues the preceding guarantee even when the goods given in pledge of the advances are delivered to another purchaser. The contract is signed by the exporter and the foreign buyer. The bank has a legal right to require the keeping of a special register by the foreign purchaser and even to make him relinquish the title of ownership. It will be seen that this reduces the banker's risks. This device is used principally for trade with the Far East and in a large number of British colonies.

Revolving credit is a credit for an uncovered balance renewable at a fixed date of maturity—3, 6 or 9 months—up to the expiration of the agreement. If, in special circumstances, the banker wishes to cancel it before the end of the agreed term, he can generally do so on condition of three months' notice. The exporter makes use of these

credits by means of drafts which are accepted by his banker according to his needs.

English banks use also the commercial letter of credit and the confirmed credit which we have already described. The English system, moreover, permits total or partial insurance of such credits, and thus reduces to a minimum the banker's risk in making advances to the exporter.

England, since the War, has realized the necessity of meeting a new and very complex situation, and of finding fresh ways of developing sales to foreigners. Various official and private organizations have therefore been established for the purpose of helping the exporter in his difficulties. Private initiative, ever on the alert in that country, which is noted for its excellent traders, has been responsible for the establishment of numerous powerful associations which, like German institutions of a similar type, engage in banking operations of every kind, at the same time acting as agents of sound and accredited standing abroad. In many cases they "drum up business"—and by their financial power and influence form excellent pioneer agencies of British trade overseas. These organizations include : 1. The British Overseas Bank, Limited, formed in 1919 by the grouping together of several English banks. This is at one and the same time an association for carrying out investigations, with an information bureau having agents in foreign countries, and also a commercial bank which can itself acquire the necessary capital. 2. The Anglo-Baltic and Mediterranean Bank, Limited, founded in 1920 for territory adjacent to the Baltic and for Mediterranean countries, is concerned with banking business, insurance, and even maritime transportation between England, Scandinavia, Lithuania, Russia and other countries surrounding the Baltic and Mediterranean. 3. The African and Eastern Trade Corporation,

which extends its operations to East Africa as well as all the near and middle East, with branches in Egypt, Syria, Palestine, Persia, Rumania and Bulgaria. 4. The powerful P. and O. Maritime Company has contributed to the formation of the Peninsular and Oriental Banking Corporation, Limited, which has opened agencies in all its ports of call. 5. The Anglo-Danubian Association, founded in 1920, for the purpose of supplying raw materials to the factories of Austria, Hungary and Czechoslovakia and to assist in the exportation of the manufactured goods produced in these countries from such raw material. By special arrangement with the governments of the countries interested, the importers must guarantee to the English merchants by letters of hypothecation the ownership of the raw material in process of manufacture up to the time of their payment.

In spite of the excellence and power of the British banking system, the State has felt it advisable to intervene in the interests of exporters. The idea was mooted as early as 1914. The English, taking into account the probable duration of the War, and the problems into which it would inevitably plunge Central Europe, and fearing also that in certain markets they would find their German rivals replaced by Americans, asked the government to assist them in meeting difficulties from which they did not believe private banks could rescue them. The Faringdon Commission was appointed in 1914 by the Board of Trade to study the question and it took nearly three years to clear up the problem. Following the conclusions of its report, and in spite of the weighty protests of bankers who feared this official intrusion into the realm of business, the government authorized the creation by royal charter of the British Trade Corporation, with a capital of ten millions sterling. By the terms of its charter

this bank, which was limited to trade with foreign countries, was forbidden to accept deposits at sight or at short term or to carry on business in which existing banks were interested. These limitations, inserted in its charter obviously under pressure from the large banks, have made the institution of little value. It has proved, as time elapsed, far from being a preponderant organization and its activities have been confined to supplying capital to various commercial or industrial firms established in foreign countries. In this way only has it obtained customers for English industries [31]. Otherwise this government effort was practically a failure.

On the other hand, private initiative was manifestly inadequate to enable the British to sell with very long credits to peoples ruined by the War. Some other way had obviously to be found in order to help British industry to get back on its feet. The scanty orders coming in from abroad, the difficulty of readapting industry to normal production in time of peace, and the surplus of labour resulting from demobilization, rendered imperative a solution of this question after the armistice. In addition, the instability of exchange created for exporters risks too heavy to be borne even if they grouped themselves into associations. After some months of hesitation the Board of Trade [32] organized the Export Credits Department, to which Parliament granted a subsidy of £26,000,000 sterling. This sum was to enable this

[31] R. P. Winston, *Does trade follow the dollar ?* American Economic Review, vol. 17, 1927, pp. 458-77.

[32] Under the title "War Risk Insurance Office", they had in mind first a modification of the powers of the maritime insurance department against torpedoing, created during the war by the Board of Trade, and which operated with such success that in 1918 it left to the British Treasury a net profit of nearly 16 million pounds sterling. This was abandoned because the traders desired credit, and not insurance for bad debts difficult to collect.

official machine to meet on certain conditions, after investigation, the demands for credits formulated by manufacturers and traders and transmitted by the bankers. These credits were granted [33] for trade with Finland, Esthonia, Latvia, Lithuania, Poland, Czechoslovakia, Jugo-Slavia, South Russia, Georgia, Armenia, Bulgaria and Rumania. Sterling drafts were to be drawn by the seller and accepted by the purchaser, and the latter was to deposit in an authorized bank funds in national money or securities to the amount of the bill of exchange increased by 15%. In the case of unexpected new depreciations of exchange this guarantee was to be increased by the remittance of supplementary deposits. Under these conditions the Export Credits Department could grant advances up to 80% of the net cost price, plus the expenses, namely, freight, insurance, and the commission collected by the Department [34]. The credits were not granted for more than three years. The government waived all direct action against the exporter who did not repay the advances. Such was the mechanism, flexible yet secure, offered to those interested [35]. At the end of a year it had only been slightly used. Credits to the amount of £450,000 had been opened, of which only £83,589 had been actually used [36]. This slow development was attributed to two causes : on the one hand, exporters found tremendous difficulty in realizing on that part of the amount owed to them which was not covered by the State guarantee, and

[33] They were obtainable only for the export of manufactured products and not of raw materials.

[34] This commission was first fixed at 2%, then increased to 5% of the total granted, to hasten final payments.

[35] *Crédit à l'exportation.* From the London correspondent of the l'Exportateur Belge, No. 154, Feb., 1922.

[36] P. Guébhard, *Le Crédit à l'exportation en Angleterre* (Revue Economique Internationale, Nov., 1921).

they also refused to disclose their cost price as to do so would make public the profits expected in each transaction. On the other hand, the foreign purchasers did not make the necessary deposits in order to keep intact the value of a collateral which the variations in exchange caused to diminish daily. In 1920 a corrective was attempted, but proved inadequate. The amount of the advances was increased by 20%, but it was specified that action would be taken by the state against the exporter in case of non-payment by the purchaser, up to the amount of this 20%. This reduced the risk of the British exporter to one fifth of his cost price increased by the expected profit. This new system gave no better results and in 1921 a complete alteration was made. For the system of advances was substituted that of guarantees. Up to a limit of £26,000,-000, and after due investigation in each case, the state guaranteed 85% of the invoice price [37]. As to action against the exporter, this was regulated as follows : If the foreign purchaser remitted a deposit estimated as sufficient at the time of the transaction to cover the total guarantee, the state had no longer any ground for action against the exporter ; if, on the contrary, he had made no deposit or if the deposit was insufficient, the state could then take action against the exporter for half the difference between the amount guaranteed and the sum collected. Moreover, the system was extended to the Dominions, and later on to Spain and Portugal.

In spite of these new efforts, in November, 1921, the total guarantees granted by the state amounted to less than three and a half millions sterling. At the end of 1921 the Board of Trade once more modified this organization, and

[37] *Crédit à l'exportation* ("Exportateur Belge," Feb., 1922).

its operations up to 1926 may be summarized as follows [38] :

The Export Credits Department entertains proposals to guarantee the payment of drafts drawn against shipments of goods wholly or partly produced or manufactured in the United Kingdom, other than arms or ammunition, to almost any part of the world. At present, only India, Ceylon, the Straits Settlements—where banking facilities are already adequate for all business purposes—and Russia are excluded from the scope of the scheme. A bill thus guaranteed becomes a first-class bill, and can be discounted in the market on the most favourable terms. No case is too small for assistance, and credits can be obtained for trifling amounts as well as for large sums. Parliament has prescribed that at no time, however, shall the amount of credits outstanding exceed £26,000,000. A moderate commission is charged in order to defray the expenses of the Department, and to form a fund to meet losses. This varies according to the country with which trade is undertaken.

Guarantees are made on two systems :

A. Credits in respect of specific transactions.

B. General credits, *i.e.*, credits which do not involve a separate reference to the Department in respect of each specific transaction. A few words on each of these may be useful.

A. *Specific credits:*—In these cases each specific transaction must be submitted to the Department through the exporter's bank. If the credit does not exceed twelve months, the guarantee may be given for 100% of the total amount of the bill of exchange drawn against the shipment. Where the credit exceeds twelve months, the amount guaranteed may not exceed 85% of the bill. Bills need

[38] Information drawn from a small brochure published in June, 1924, by the Department of Overseas Trade (Foreign Office), London, pp. 8 ff.

not be accepted before presentation to the Department for endorsement, but, if not accepted, must be accompanied by a letter of guarantee from the importer's bank that they will be accepted. It is not insisted upon that the importer shall put up security for the full amount of the bill. The Department will accept business in cases where the importer puts up partial security, or even no security at all, provided that the exporter is willing to allow the Department to take action against him for a proportion of the total value. In cases where the full 100% is guaranteed, this proportion will amount to 57½% of the uncovered risk ; and where the bill is guaranteed to the extent of 85% or less, action will only be taken in respect of 50% of such proportion as is not covered by security. For example, if no security were put up, and the Government guaranteed 85% of the bill, the Department would only sue the exporter for 42½% of the whole amount of the bill. With regard to the nature of the securities demanded, the Department will consider any proposals put before it, especially if they consist of deposits of currency, produce, or an approved banker's guarantee that due payment will be made in sterling at maturity.

B. *General Credits* :—Since the above procedure is not well adapted to the needs of mercantile business generally, and especially in the case of business transacted locally by representatives of British firms travelling abroad who wish to be in a position to close with actual orders offered on the spot, it has been arranged for the benefit of short term credits not exceeding twelve months, that firms may apply through their banks to the Export Credits Department asking to be granted credits up to specified amounts in respect of a particular country or series of countries. When the amount has been agreed upon, the firm is authorized to open up business within

the maximum amount fixed, without having to refer each transaction to the Department. In such cases the Department undertakes to guarantee bills in respect of the particular transactions entered into, but will take action against the exporting firm for 57½% of the total credit granted.

As a result of these modifications, a material increase has been observed in the number of hazardous commercial undertakings for which the British government has provided guarantees. Nevertheless, when the results obtained still appeared to be insufficient, no hesitation was shown in further altering the plan of the whole organization. A communication [39] from the correspondent of the "Economiste Français" in London, from which the following details are taken, stated that the section of the Board of Trade concerned with the granting of guarantees to exporters (Department of Overseas Trade) had, according to new arrangements, changed its name, and was to be known as the Export Credits Guarantee Department. At the same time a new system of guarantees for export trade was organized. The scheme was to be in force till September, 1929. Of the £26,000,000 formerly placed at the disposal of the Department of Overseas Trade under the Export Credits Act, six millions only had been employed and the twenty millions still available were to be utilized for the new scheme. This was a Credit Insurance Fund set apart for the purpose of providing guarantees to English exporters, under certain conditions, for the payment of sales made abroad.

The characteristic features of this new system were as follows : The Export Credits Guarantee Department was to guarantee the payment at maturity of bills in pounds sterling drawn on overseas purchasers to cover goods

[39] *Lettre d'Angleterre ; une nouvelle organisation des crédits à l'exportation, l'Economiste français* (Paris, July 24, 1926).

supplied, produced or manufactured wholly or partially in the United Kingdom, including coal. The guarantees were to be granted, after investigation, for either long or short term credits. They included three large categories : (*a*) insurance credit without action against the beneficiary exporter, to exceed in no case three-fourths of the credits granted by him to his customers ; (*b*) the opening of credit of a financial nature in favour of exporters who ask for it on their sole responsibility and which, in consequence, provides for complete action against them for recovery, but which might, in that case, be increased to the total amount of credit agreed upon with the customer. There was also an intermediate category between (*a*) and (*b*) in which guarantees were given with or without action against the beneficiary and on the whole or a portion of the credit agreed upon by him with the customer. It was to be understood in cases where action against the beneficiary was held in abeyance, that the guarantee could not exceed 75% of the amount in question unless the beneficiary furnished a sufficient pledge for the surplus amount.

The advantages of this scheme were to be granted only in the case of transactions clearly determined. No distinction was to be made between those of the English seller with one foreign importer or with several importers not residing in the same country. The name or names of the purchasers had not, in fact, to be submitted to the Department, but in such cases the guarantee was limited to six months. No guarantee could be granted for sales to Russia. The beneficiary of the guarantee had to pay a premium, of which the amount varied with the risks and special characteristics of each transaction. The system, as a whole, appears to be a remarkable improvement on all that has been proposed in this way in England up to the present. It is a kind of insurance, and its mechanism is

simple. It promises to give genuine encouragement to export trade, and has the advantage of being free from any suggestion of government interference in business matters.

"At first, companies desiring to take advantage [40] of this form of insurance were required to transmit all documents in a particular order or shipment to the Export Credits Guarantee Department in London, but in its efforts to make the service more readily available to British exporters, the Department began in March, 1927, to try as an experiment a form of floating contract. A few more modifications were made in the following May and June, and by the end of July, 1927, the floating contract had been put into general operation. This type of agreement has become popular and is the one now in general use. The *Times* (London) of January, 1928, explained the procedure as follows : Under the floating contract the department agrees with an exporter on a schedule of names of importers in any country and the amount to be outstanding on them at any one time during six months. The exporter is then covered for goods shipped to these purchasers during that six months, and merely declares his bills as they are drawn, in much the same way as he makes declarations under a marine insurance policy. The department is authorized to guarantee, up to 75 per cent. of their face value, sterling bills of exchange drawn in connection with the export of goods, which must have been wholly or partly produced or manufactured in the United Kingdom. Experience shows that, as a rule, the exporter is willing to take half the risk himself and to insure the remaining 50 per cent under the scheme. The guarantee is unconditional and covers all risks. Payment is made immediately on default, and the bill is then handed over

[40] *British Government export credit insurance.* Commerce Reports (Washington, July 16, 1928), p. 131.

to the department to recover the amount due from the importer. Any balance recovered by this means is shared between the exporter and the department in proportion to the percentage insured.

"No fixed schedule of premiums for such insurance is established. Rates vary according to countries, the standing of the importer and the exporter, and the periods for which the credit is to run. Under a circular issued by the Export Credits Guarantee Department, the following statements appear with regard to premium rates :

Premium is charged on the amount of the guarantee, not on the amount of the bill.

The premium rate is appreciably lower if the exporter accepts some liability to the department.

Rates vary according to the circumstances of each case and depend upon the standing of the parties, the importing country, and the length of credit.

Rates are continually watched and reduced wherever circumstances permit. A select committee on Estimates reporting to the House of Commons in April, 1928, stated that, after making a searching investigation of the estimates and the working of the Export Credits Guarantee Department, the committee came to the conclusion that the present facilities given by the Department are of great practical advantage to the development of the export trade of the United Kingdom. It is pointed out that this is undoubtedly the case for the reason that, whereas facilities for credit insurance can be obtained elsewhere, the Department alone issues a policy which guarantees payment of the amount insured immediately the corresponding bills are protested for non-payment. Other (British) credit insurance institutions pay only against loss caused by the actual insolvency of the foreign importer. The large increase in the Department's business in the

last few months, during which the scheme has been advertised and therefore become generally known to exporters, is sufficient proof of its necessity".

At the end of September, 1928, the United States Trade Commissioner in London[41] reported that "applications approved during the existence of the scheme totalled £3,815,000 and guarantees given amounted to £1,913,000. The present scheme was launched in July, 1926, in the midst of the prolonged coal stoppage, and therefore little actual business was effected until the following year. As originally contemplated, the arrangement was to terminate in September, 1929, so far as concerned the acceptance of new insurance, since the scheme was undertaken only as an experiment—with the co-operation of bankers, exporters, and insurance and discount house officials—to gauge the demand for and the feasibility of such broad credit facilities in British export trade. The government has not abandoned its original policy of testing the practicability of the scheme and then relinquishing the field to private enterprise when the latter is willing to undertake it on equally good terms, but the delay in getting the scheme to operate in volume on account of the 1926 industrial depression, together with the increasing popularity of the facilities offered, the urgent need of certain basic industries for more export business, and the serious unemployment situation in general, caused it to recommend an extension of the service for a further period. The government has announced its intention of introducing legislation to effect this purpose during the current session of Parliament. In view of the success so far achieved by the government export credits scheme, it is an interesting development that certain insurance companies in Great

[41] *Progress of British Government export credits scheme.* Commerce Reports (Washington, Dec. 3, 1928).

Britain, heretofore offering a very limited form of credit insurance, have decided slightly to extend their operations by widening the type of risks covered and the conditions under which guarantees will be given. A new form of contract has been approved for use in connection with the government's export credits facilities. The new form is to be known as "Contract B", to distinguish it from "Contract A", which is the general floating contract under which nearly £5,000,000 worth of export business has been insured during the past 16 months. In reporting this new development to the bureau, Trade Commissioner Frederick Lee of London, states that the purpose of Contract B is to allow the British exporter to finance his sales to oversea customers by presenting his bills to his own bank for the purpose of getting advances thereon. Under this arrangement, the bank becomes a party to the contract, and the government Export Credits Guarantee Department gives an unconditional guarantee to the bank. The contract is self-liquidating in a short period and will thus secure the bank against locking up the funds for an indefinite time.

"It has long been recognized that more business could be done under the export credits insurance scheme if the exporter's resources were in a more liquid condition. Both the exporter and the bank, under this new contract, are guaranteed against credits or assets becoming frozen. While waiting for the government to make good its guarantee on defaulting bills under the previous arrangement, the British exporter has not always been able to give credit to the extent which he has thought desirable. Representatives of the "Big Five" joint-stock banks, as well as other important banks, have co-operated with the Export Credits Guarantee Department in working out the new form of contract which will be accepted by the banks as a satisfactory form of security for the purpose of advances

to the exporters. This new contract contains all the credit insurance cover and all the other advantages of Contract A. In addition, the exporter is given facilities for obtaining advances from his bankers, and is assured that these advances can be liquidated at their due dates. The exporter is thus enabled to turn over his capital more rapidly in times of trade expansion, and his bank is given full assurance by the British government that defaulted credits or bad debts will be met promptly by the Export Credits Guarantee Department".

(*d*) *The American banks.*

In 1913 a profound alteration which particularly affected export trade was made in the American banking system by the adoption of the Federal Reserve Act. "Before that memorable date in the financial history of the United States", writes Caïllez, "the organization of American banks was as badly adapted as could be to the needs of export business" [42]. The multitude of banks, their decentralization, the extremely small capital of certain banks, had helped to bring about at various periods serious economic crises. Before 1913 the United States possessed national banks organized under federal charter and enjoying the right of issue. These banks could neither accept bills nor open branches outside the United States. Side by side with these national banks there developed state banks created according to the laws of each of the 48 states of the Union. The majority of state laws forbade the creation of agencies and few state banks possessed them in foreign lands. They desired first of all to employ their capital in the home market which because of its rapid and enormous development was constantly in need of it. Because of their decentralization, very few were able to

[42] M. Caillez, *op. cit.*, pp. 161, ff.

organize a foreign department with all that this implies. In 1893, however, the Bank of New York established a foreign department, and then the Equitable Trust Co., the National City Bank, the Guaranty Trust Co., the National Bank of Commerce, the Chase National Bank and the Bankers' Trust Co., all followed suit. Agencies in Paris and London were opened by the Equitable Trust and the Farmers' Loan and Trust. The International Banking Corporation, an overseas bank, of which the National City Bank held seven-eighths of the shares, established agencies in Panama and the Far East in 1902. Besides the national and state banks there were the savings banks, the trust companies and the private bankers—in all, there were 30,000 banks to meet the financial requirements of 110,000,000 people. As characteristics of the American system at that time we should note : (1) excessive decentralization, (2) lack of a unified policy, (3) often inadequate resources, and (4) its regional character.

A large number of the banks did very small business, and were in reality of no more importance than would be for example, a modest provincial branch bank in Europe. The use of drafts, the basis of international credit transactions, was rare and the bankers' acceptance was even more so [43].

Certain defects in the American banking system had long been apparent. After 1893 the movement for reform began, and the plan which was proposed at that time at a meeting of the American Bankers' Association at Baltimore advocated monetary reforms rendered imperative by the crises and successive panics of 1884, 1890, and 1893, for which the existing system had no remedy. In spite of investigations and numerous proposals laid before Congress

[43] *L'Expansion mondiale des banques américaines.* Moniteur des Intérêts matériels (Brussels, Oct. 15, 1926).

at Washington, it was not until 1908 that the National Monetary Commission was constituted for the purpose of making a thorough inquiry into the banking systems of the principal countries of the world as well as of the United States [44]. In 1910 Senator Aldrich proposed the adoption of an Act which made effective the findings of this commission. This was followed by the Fowler, Muehlman, and other acts in 1912 and 1913. These were finally amalgamated by the adoption on 23rd December, 1913, of the Federal Reserve Act, the most important piece of financial legislation enacted in the United States since 1863. The Federal Reserve Act provided for the division of the country into not less than eight and not more than twelve subdivisions, each having its own reserve bank, autonomous in administration and possessing liquid resources for its district. This brought about decentralization from the great financial market of New York by the creation, in each district, of central regional banks similar to the national banks of France, England and elsewhere [45]. The Act of 1913 has been responsible for considerable improvement in the American banking system. According to its provisions the national banks previously in existence retained their right of issue, but certain measures were taken which would lead progressively to the disappearance of this right and to the establishment of other banks of issue called Federal Reserve Banks. The latter are now twelve [46] in number, corresponding to the same number of

[44] This commission published a series of remarkable studies on the principal banking systems in 30 volumes. Government Printing Office (Washington, 1910).

[45] R. B. Westerfield, *Banking principles and practice* (New York, 1921).

[46] Before 1913 there were nearly 7,500 National Banks in the United States under the control of the government and having the right, on condition that they observed certain legal obligations, to issue bank notes.

definite regions. Each of them has as principal shareholders the national banks of the district [47]. Over these twelve federal reserve banks the Act has placed a Federal Reserve Board nominated by the President of the United States. It includes a majority of high officials who direct and co-ordinate the activities of the banks, and it appears likely that in time this Board might become a central bank of issue of which the federal banks would be no more than branches [48]. The reserve banks are therefore private corporations placed under official control chiefly with regard to the issue of paper money, reserves for issue, and deposits; also the subscription of their capital and their internal administration. The reserve banks were authorized to rediscount acceptances from other banks. In this way by the repurchase of commercial instruments before maturity, provided that such bills have their origin in commercial, industrial or agricultural transactions and have not more than three months to run, the reserve banks give greater liquidity to the assets of the shareholding banks which are in direct contact with the public [49]. This privilege contributes greatly to the flexibility of the credit system, and makes possible better adjustment to special temporary conditions. The Federal Reserve Act not only authorizes the rediscount of bank acceptances, but also permits member banks to deliver for acceptance instruments drawn on them, in relation to commercial transactions with foreign countries, which mature in six months or more ; it limits this power, however, by restricting the total of the acceptances at any moment to half the bank's own

[47] C. Perreau, *Cours d'economie politique* (Paris, 1922), vol. I, p. 459.

[48] The twelve cities in which federal reserve banks are established are Boston, New York, Philadelphia, Richmond, Atlanta, Cleveland, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, San Francisco. These banks are called Federal Reserve Bank of New York, or of Chicago, etc., according to the city in which they are established.

[49] The operation of rediscount of acceptances has been practised in Europe for a number of years.

resources [50]. Since 1917 the member banks have been authorized to accept bills relating to foreign trade up to 100% of their resources on condition that their reserves shall be at least 20% of the capital. On 90 days' notice, the Federal Reserve Board may cancel this authorization. But one of the principal results of these institutions, writes Clerget, [51] has been the encouragement of foreign trade by rediscounting long term paper drawn on foreign customers. The Act, moreover, authorizes them to have representatives and to open branches abroad [52]. They have greatly profited by this privilege. The Federal Reserve Bank of New York has chosen as correspondents the Bank of England and the Bank of France. The National City Bank of New York has established agencies at Buenos Aires, Rio de Janeiro, Santos, Sao-Paulo, Montevideo, Santiago, Caracas, and Havana. In imitation of the German banks, American trade is encouraged by the organization in these branch offices of exhibitions of samples and catalogues, and by offering to act as intermediaries for the sale of American goods. The expansion of American banks has extended to Asia, China, Japan and India. It has also rapidly taken root in Europe since the War. The Equitable Trust Company, the Farmers' Loan and Trust Co., and the Guaranty Trust Co., have opened agencies in France, England, Italy, Switzerland, Spain and Belgium. The Park Union Foreign Banking Corporation

[50] Since the mark has been stabilized, the Reichsbank and other German banks of acceptance have adopted this arrangement with regard to the restriction of the amount of the acceptances authorized.

[51] P. Clerget, *L'Organisation du commerce extérieur*, Mon Bureau (Paris, Sept. 15, 1921).

[52] Before 1913 the American national banks could not open branches in foreign countries. They depended at that time on foreign institutions established in these countries for carrying on their business. At present all national banks with over a million dollars of capital can, with the authorization of the Federal Reserve Board, establish branches in foreign countries.

has branches in Yokohama, Tokio, Shanghai and Paris ; and the Foreign Credit Corporation—formed by the Guaranty Trust, Chase National Bank, and others—was established in 1919 with a capital of $6,000,000 with the object of developing the use of acceptance credits and especially of financing the export of American goods to countries which, as a result of the war, had special need of credit facilities.

Of all these institutions the Guaranty Trust Co is the largest. It has agencies in London, Liverpool, Paris, Havre, Brussels, Antwerp, Constantinople, Buenos Aires, special representatives in Scandinavia and Australia, and direct relations with Italy where it has a subsidiary, the Italian Discount and Trust Co. of New York. It is the correspondent of Japanese banks, and of banks in the Dutch East Indies and Straits Settlements, and has established working relations with large French and British banks in Mediterranean countries. It is affiliated with the Mercantile Bank of the Americas which enables it to operate in all the countries of Central and South America, and with the Asia Banking Corporation which places it in direct commercial relations with China, Manchuria and the Far East. Finally, it is the representative in the United States of the Tata Industrial Bank of India, since absorbed by the Central Bank of India, through which it carries on trade in all British India [53]. The following is a list of foreign branches operated by member banks of the federal reserve system [54], as on 1st January, 1926 :

Bankers' Trust Co., New York, N.Y.

Branches :—France : Paris . England : London.

Chase National Bank, New York, N.Y.

Branches :—Cuba : Havana. Panama : Panama

[53] Caillez, *op, cit.*, p. 172.

[54] Federal Reserve Board Bulletin, Feb., 1926, p. 106.

City. Canal Zone : Cristobal.

Equitable Trust Co., New York, N.Y.

Branches :—England : London. France : Paris. Mexico : Mexico City.

Farmers' Loan and Trust Co., New York, N.Y.

Branches :—Farmers' Loan and Trust Co., Ltd., London, England (two offices). A British company of which all the stock is owned by the Farmers' Loan and Trust Co. of New York. Representatives :—France : Paris.

First National Bank, Boston, Mass.

Branches :—Argentina : Buenos Aires. Cuba : Havana.

Guaranty Trust Co., New York, N.Y.

Branches :—England : London (three offices), Liverpool. Belgium : Antwerp, Brussels. France : Paris, Havre.

National City Bank of New York, New York, N.Y.

Branches :—Argentina : Buenos Aires, Rosario.
Belgium : Antwerp, Brussels.
Brazil : Pernambuco, Rio de Janeiro, Santos (agency), Sao Paulo.
Cuba : 21 branches.
Chile : Santiago, Valparaiso.
Dominican Republic : 7 branches.
England : London (City branch and West End branch).
France : Paris—National City Bank (France) S. A. (subsidiary of the National City Bank of New York).
Italy : Genoa, Milan.
Peru : Lima.
Porto Rico : San Juan.
Uruguay : Montevideo.
Venezuela : Caracas.

Besides these banks, which have developed a network of agencies and branches in foreign countries, there are other organizations which, though not meriting the title of bank in American terminology, efficiently support the foreign trade of the United States. These include :

The American Foreign Banking Corporation, New York: Havana, Cristobal, Panama, Rio de Janeiro, Mexico.

The Asia Banking Corporation of New York : Shanghai, Hankow, Pekin, Tientsin, Hongkong, Canton, Manila, Singapore.

The Bank of Central and South America of New York (of which the Royal Bank of Canada actually controls the capital) has a branch in Berlin and the control of five banks in Latin America.

The Empire Trust Co. of New York : London.

The Equitable Eastern Banking Corporation of New York : Shanghai, Bombay, Hong Kong, Yokohama.

The International Banking Corporation of New York : Canton, Hankow, Kharbin, Hong-Kong, Pekin, Tientsin, Shanghai, Darien ; eight branches in San Domingo ; London, Lyons, Bombay, Calcutta, Rangoon, Kobe, Tokio, Yokohama, Batavia, Sourabaya, Manila, Cebu, Barcelona, Madrid, Colon, Panama, Singapore, Haiti.

The Mercantile Overseas Corporation of New York, which controls the Mercantile Overseas Corporation of Guayaquil.

This list does not include certain banks controlled by Americans but established according to the laws of different countries in Central America. The development of these institutions has been facilitated by the fact that the American commercial banks—not very powerful institutions in themselves—grouped together to form "overseas banks". The Asia Banking Corporation has for its

shareholders the Guaranty Trust Co. (New York), the Continental and Commercial National Bank (Chicago) and the Guardian Savings and Trust Co. (Cleveland). The American Foreign Banking Corporation has as shareholders 36 banks situated in more than 30 different cities. Sometimes also foreign banks have participated in the creation of such enterprises : the French American Banking Corporation is owned by the *Comptoir National d'Escompte de Paris*, by the National Bank of Commerce of New York and by the First National Bank of Boston. The International Acceptance Bank includes amongst its shareholders banks of the chief cities of two continents.

* * *

The banking reforms effected through the creation of the Federal Reserve Banks greatly facilitated American transactions with foreign countries. They proved, however, inadequate to overcome the difficulties which arose on all sides after the armistice. The United States was not long in deciding that other organizations—temporary, it is true—must be created in order to enable American manufacturers to sell on long term credits to European countries ruined by the war. For this purpose the United States War Finance Corporation was created in March, 1919. This was to aid in financing the exportation of American goods to foreign countries, and so to contribute towards national and international economic reconstruction. The corporation continued in existence until May, 1920, when its work was suspended. In January, 1921, however, a law passed by Congress empowered the Secretary of the Treasury to bring the Corporation once more into operation for the purpose of facilitating, through credits, the export of

agricultural and other products [55]. This organization has engaged in the financing of sales of locomotives to Poland, of electrical apparatus and accessories to Great Britain, Belgium, Italy and Australia, and of agricultural machinery to France, Belgium and Great Britain. It has also extended its activities to agriculture, assisting in the export of cotton, tobacco, wheat, preserved fruit, vegetables and other foodstuffs, which many countries badly needed at the end of the war, but which they were unable to pay for immediately, principally on account of the unfavourable exchange on the enormous sums due. By the end of 1925 this corporation had made advances amounting, all told, to nearly $690,000,000. By the terms of the act of incorporation the amount advanced could not exceed one billion and was limited to a period of five years. Advances made by the corporation to exporters, banks, trust companies, agricultural co-operative or credit societies, etc., had to be protected by a document, placing direct obligation, without restriction, on the borrower, with complete and ample guarantees. When the borrower was an exporter, he was usually required to furnish a negotiable note signed by himself. In the case of a bank, the corporation also accepted drafts, bills of exchange or other negotiable paper endorsed by the borrower and cancelling protest, renewal, substitution of guarantee or any other favour.

This represents, as will readily be seen, a gigantic effort. The War Finance Corporation has rendered signal services to American trade. Having fulfilled its object, it began to be dissolved on 1st January, 1925, and since that date the only advances made have been those designated

[55] E. Meyer, *Appui que le gouvernement américain accorde aux exportations* (see l'Amérique, No. 6, New York, Dec., 1921). See also B. Krish, *Foreign Trade Functions of Trade Associations.* University of Pennsylvania New Review, June, 1928.

"expense advances"—that is, advances necessary for the care and preservation of the corporation's security during the orderly liquidation of its assets and the winding up of its affairs. From 1st December, 1926, to 3rd November, 1927, these advances totalled $207,000 [56]. In accordance with the provisions of the act creating the corporation, its charter expired on 4th April, 1928. It has been the corporation's policy to wind up its affairs in an orderly manner, with due consideration of the problems confronting applicants and borrowers. It was created as a temporary measure to render financial aid to firms embarrassed by conditions existing during and after the war.

The federal intermediate credit banks, which have been in operation for several years, were created by Congress as permanent institutions, with authority similar to that granted the above corporation, by act of 24th August, 1921. During the three years of the corporation's winding up, this latter act has been brought to the attention of applicants generally and every consideration and indulgence has been granted them in working off their indebtedness.

In November, 1919, the Senate of the United States passed an act called the Edge Act, which specified and extended the rôle of financial corporations destined to co-operate in the development of foreign trade, placing them under the control of the Federal Reserve Board. By the terms of this act [57], any number of persons, not less than five, may form a corporation for the purpose of engaging in international or foreign banking or other international or foreign financial operations in a dependency or insular

[56] Tenth Annual Report of the War Finance Corporation (Wash., D.C., Jan., 1928), p. 1.

[57] *Regulations of the Federal Reserve Board*, p. 301, Fourteenth Annual Report of the Federal Reserve Board (covering operations for the year 1927) Washington, D.C., 1928.

possession of the United States either directly or through the agency, ownership or control of local institutions in foreign countries or in such dependencies of insular possessions. In short, the Edge Act authorizes the organization of corporations for the purpose of financing foreign trade, under the following conditions :—

(1) Any persons desiring to organize a corporation for any of the above-mentioned purposes shall enter into articles of association which shall specify in general terms the objects for which the corporation is formed, and may contain any other provisions not inconsistent with law which the corporation may see fit to adopt for the regulation of its business and the conduct of its affairs. The articles of association shall be signed by each person intending to participate in the organization of the corporation and when signed shall be forwarded to the Federal Reserve Board in whose office they shall be filed.

(2) The name and other conditions for the establishment of these corporations must be approved by the Federal Reserve Board.

(3) No such corporation may be organized with a capital stock of less than 2,000,000 dollars. The par value of each share of stock shall be specified in the articles of association, and no corporation will be permitted to issue stock of no par value. Before obtaining its final permit to commence business, the president or cashier of such Edge Corporation, together with at least three of the directors, must certify to the Federal Reserve Board that at least 25 per cent. of the authorized capital stock has been paid up in cash and that each shareholder has individually paid up in cash at least 25 per cent. of his stock subscription.

(4) A majority of the shares of the capital stock of any such corporation shall at all times be held and owned by citizens of the United States, or by corporations the con-

trolling interest in which is owned by citizens of the United States. All transfers of stock must be made on the books of the corporation, and they are submitted to various regulations insuring compliance with the requirements of this provision of the law.

(5) No Edge Corporations shall carry on any part of its business in the United States, except such as shall be incidental to its international or foreign business. Agencies may be established in the United States with the approval of the Federal Reserve Board for specific purposes, but not generally to carry on the business of the corporation.

(6) No such corporation shall establish any branches except with the approval of the Federal Reserve Board, and in no case shall any branch be established in the United States.

(7) All debentures, bonds, notes or other such obligations issued by an Edge Corporation (except notes payable to banks or bankers within one year) shall

(*a*) be payable only in gold coin of the United States of the standard of weight and fineness existing at the time of issue ;

(*b*) be payable not more than 20 years after the date of issue ;

(*c*) be secured by collateral which shall consist of lawful money of the U.S. and of securities, notes, drafts, bills of exchange, acceptances, including bankers' acceptances, and other evidences of indebtedness and/or shares of stock in which such corporations are authorized by law to invest their funds.

(8) Edge corporations may accept :

(*a*) drafts and bills of exchange drawn upon them which grow out of transactions involving the importation or exportation of goods, with a maturity not in excess of six months ;

(*b*) drafts and bills of exchange which are drawn by banks or bankers located in foreign countries or dependencies or insular possessions of the United States, for the purpose of furnishing dollar exchange as required by the usages of trade in such countries. The maturity of such drafts or bills of exchange must not be in excess of three months.

(9) None of these corporations shall receive in the United States any deposits except such as are incidental to or for the purpose of carrying out transactions abroad, where they have established agencies, branches, correspondents, or where they operate through the ownership or control of subsidiary corporations. Outside the United States they may receive deposits of any kind.

(10) The aggregate of an Edge corporation's liabilities outstanding on account of acceptances, average domestic or foreign deposits, debentures, bonds, notes, guarantees, endorsements, and other such obligations shall not exceed at any one time ten times the amount of the corporation's subscribed capital and surplus.

(11) Edge corporations may exercise abroad not only the powers specifically set forth in the law, but also such incidental powers as may be usual in the determination of the Federal Reserve Board in connection with the transaction of the business of banking or other financial operations in the countries in which they shall transact business.

(12) Each corporation shall be examined at least once a year by examiners appointed by the Federal Reserve Board. The cost of examinations shall be paid by the corporation examined.

In December, 1919, a group of bankersin the United States proposed under the Edge Act the formation of a powerful bank which would specialize in export trade. It was to be named the "Federal Foreign Trade Financing

Corporation," with a capital of $100,000,000. This organization had the support of the American Bankers' Association, but the project was abandoned after $30,000,000 had been subscribed [58]. Other attempts of the kind have been made, but of the three companies which have been organized under the Edge Act up to the present time, only one is in operation today—the "First Foreign Investment Trust" of New York. The two others, the First Federal Foreign Banking Association of New York, and the Federal International Banking Company of New Orleans, were after an ephemeral existence placed in voluntary liquidation [59].

The failure of the first banks of this kind must be attributed, according to the Wall Street Journal [60], to the fact that they were created during a most unfavourable period. Coming too late to obtain a solid footing in the field of international commerce, they found themselves at the very beginning caught in the difficulties of the deflation period of 1920-1921. On the other hand, they arrived too soon to develop loan transactions with foreign countries, the confidence of the United States having been shaken at the sight of the financial disruption which characterized numerous countries desirous of utilizing these banks. Today the situation has changed, and during recent years the American market has been increasingly sought in the

[58] This project was abandoned because it was not possible to get the capital subscribed. The failure of this gigantic organization was attributed to the opposition of the protectionists and the fear of further increasing the disturbance to trade, since the too favourable balance was beginning to cause uneasiness among financiers ; and also because of the impossibility of supervising with sufficient care the European enterprises to which the credits would be granted ; in fact, it appears that the necessary 100 millions of capital could have been found if the period had not been so difficult. The giant corporation was born in a crisis ; in the same crisis it died. Caillez, *op cit.*, p. 185.

[59] Federal Reserve Board, Washington, Sept., 1926.

[60] Wall Street Journal, New York, March 2, 1926.

placing of foreign loans. The existing bank has been organized, therefore, under more favourable circumstances, and there is reason to believe that it will have a happier future than its predecessors. Under its statutes the First Foreign Investment Trust can : 1. Make loans to foreign municipalities, banks, public utilities, manufacturing companies, and others. Each of these loans must not exceed 10 per cent. of the capital of the bank. 2. Issue and sell bonds. 3. Receive deposits. 4. Establish agencies and branches. All its powers are granted within the limits of the general conditions mentioned above.

The Edge Act also authorizes, on the same conditions, the formation of other companies on similar lines, provided that they are organized for the purpose of encouraging the export of American products by granting long and short term credits. For example, under the Edge Act, banks have been created such as the Textile Banking Company which confines itself to assisting the export of textile products ; or the Mexican International Corporation which attempts only to develop trade with Mexico. On the whole this Act, from which important results were expected, does not appear to have brought about the realization of the gigantic projects which a large number of Americans had hoped by its means to bring to a successful conclusion. In any case, however, it affords us another proof that nations desiring to export must attempt, especially in these days, to solve effectively the whole question of export credits.

It may be interesting to note that although the First Foreign Investment Trust is the only corporation organized under the provision of section 25 (*a*) of the Federal Reserve Act (Edge Act) in active operation at the end of 1928, it has been known for several months that plans are under way for the formation of other similar corporations.

(*e*) *The Banks of France.*

Besides the Bank of France (bank of issue) [61], there exist in France a large number of financial companies which carry on all kinds of banking business. They may be conveniently classified, according to the type of business in which they specialize, as deposit banks, credit establishments, and commercial banks.

Among the first, the *Crédit Lyonnais* has offices in the principal capitals of Europe and agencies at Jerusalem, Cairo, Alexandria and Port Said. The *Société Générale* has a number of subsidiaries in Europe and agencies in North Africa and Syria. The *Comptoir National d'Escompte*, besides its six European agencies, has created a number of overseas establishments, notably at Tunis, Sfax, Bizerte, Tananarive, Tamatave, Diego-Suarez, Cairo, Port Said, Bombay, Melbourne, Sydney and other places. All these establishments, except the foreign agencies of the *Comptoir National dEscompte*, are concerned rather with financial operations, such as the launching of issues, discount of negotiable paper, stock exchange orders, contangoes and backwardation, exchange, advances on current accounts or on securities, than with commercial transactions properly so called.

The commercial banks [62] create new enterprises and furnish to corporations desiring to expand or temporarily in difficulties, the capital necessary to extend or strengthen their operations. They interest themselves in certain

[61] The Bank of France, which resembles the Bank of England, was created more than 125 years ago to give security and stability to the money circulation and credit of France. It is a bank of issue and of regularization, which would not consequently engage in foreign trade operations requiring long term credits sometimes without security. According to its charter it can only rediscount bills at three months as a maximum. Neither the Bank of France nor the Bank of England play in their respective countries an economic rôle comparable to that of the Reichsbank in Germany.

[62] Baldy, *Les Banques d'affaires en France* (Paris, 1922), p. 24.

enterprises, supporting them with credit at every step in their expansion and taking charge of their capital issues. They submit tenders and issue public loans, they participate in conversions and make advances to foreign governments. The four principal banks of this kind are the *Banque de Paris et des Pays-Bas*, the *Banque de l'Union Parisienne*, the *Crédit Mobilier* and the *Banque Française*. It is true that these banks do not engage directly in foreign trade, yet on the other hand they indirectly assist French exporters by opening up to them new markets in foreign lands. They do so especially by means of their participation in vast industrial schemes, the construction of railroads and other highways, and by advances to foreign governments [63]. These commercial banks have no branches in France. Their headquarters are in Paris, but they are not in touch with the general public. Their only customers are large financial and industrial corporations, foreign governments, and a more or less restricted group of capitalists. Only very large enterprises, therefore, have any attraction for them [64]. In foreign countries they either interest themselves in banks already existing there, or establish new ones.

Among these overseas banks must be mentioned the *Banque Française et Italienne pour l'Amérique du Sud*, created in 1910 by the *Banque de Paris et des Pays-Bas*, with a capital of 50 million francs. Its branches and agencies are especially numerous in Brazil. It has also some in Argentina, Chile and Uruguay. It is a genuine foreign trade bank and specializes in the development of trade relations between France, South America and Italy. It makes commercial banking operations its chief concern,

[63] Examples of such loans are those made in recent years to Finland, Portugal, Sao Paulo and others.

[64] Caillez, *op. cit.*, p. 226.

discounts drafts up to 120 days, grants documentary and acceptance credits, and makes to French exporters, on the production of their invoices, advances up to 60 or 80 per cent. of the amount involved. Two other banks which co-operate in business of the same kind are the *Banque Française du Rio de la Plata* at Buenos Aires and the *Banque Française et Argentine* at Paris. Other less important banks, rendering, however, important services in the matter of expanding French trade in the countries where they are established, include the *Banque Française d'Egypte*, the *Banque d'Athènes*, the *Banque Franco-Polonaise*, the *Banque des Pays du Sud*, with branches in Bulgaria, Serbia and Rumania, and the *Banque Franco-Japonaise*.

There are also several local or regional banks in France, such as the *Crédit du Nord*, the *Banque Lorraine*, the *Comptoir d'Escompte de Rouen*, the *Crédit Havrais*, the *Banque Charpenay et Cie* and so on, which are partly deposit banks and partly commercial banks. In the districts where they carry on operations and where they are well known, they give valuable assistance to manufacturers and traders who wish to extend their business or who, for reasons satisfactory to the bank, find themselves temporarily embarrassed. While, however, rendering important services to industry and trade in this way, it is necessary to remember that they are not foreign trade banks in the true sense of the word.

Finally, there are certain colonial banks which are chiefly engaged in granting short term loans to native farmers and settlers on their harvests. They participate financially in the organization of industrial corporations established in the colonies for the exploitation of natural resources. Such are the banks of Indo-China, West Africa, Martinique, Guadeloupe, Réunion and French Guiana.

There are also in France industrial banks (comptoirs) created by the initiative of certain manufacturing syndicates which assist their members to develop export business. The *Comptoir Français d'Exportation de Roubaix* [65] is the oldest and most important of these. Encouraged by its success, other industrial banks for the purpose of fostering export trade have been established on precisely similar lines. Such are the banks founded by the manufacturers and traders of Lyons in 1919 and by the carded wool spinners of Roubaix in 1921.

The *Comptoir Français d'Exportation de Roubaix* grants advances to exporters under the form of acceptance credits. The exporter draws bills on the bank at three months up to the amount of the advances which are granted him, generally 75 to 80 per cent. of the total amount of his credits. These the bank accepts, and the merchant can then easily negotiate them in other banks. The request for an advance must be accompanied by an invoice or other documents proving the sale. At maturity these bills can be renewed until payment is made by the foreign purchaser. This is a most ingenious and safe means of assisting the exporter, as it facilitates the discounting of his long term bills. As a means of general propaganda in favour of the products of the manufacturing syndicate, the "Comptoir" organizes, at the common expense of those interested, trade missions for the study of foreign countries. It also establishes representatives abroad and spares, in fact, no effort in protecting everywhere the interests of its members.

It will be seen from the above remarks that France is by no means so destitute of banks and organizations engaged in the promotion of foreign trade as the writings of certain economists or the speeches of certain politicians would

[65] The capital of this bank can be extended to 10 million francs and is entirely subscribed by wool manufacturers of Roubaix.

lead us to believe. We cannot say, however, that she possesses facilities equal to those of England, Germany, or even the United States. For a long time French business men desired the creation, without state help, of a banking organization which would actively encourage efforts to develop the export trade of the country. The war, however, has changed this attitude. The most obstinate among the objectors to state interference quickly saw that production to the limit and the development of an ever-expanding export trade would prove to be the best remedies for the evils from which France has suffered since the war. Everyone realized that improvement could not come about by private initiative alone, and that it was necessary to resort to the co-operation of the State despite the active opposition of existing banking institutions as well as of certain political parties.

In 1915 the question was handed over for investigation to a commission presided over by M. Méline. Not, however, until the accession to power of Clémenceau did any Minister of Finance or Commerce seriously consider the creation of a foreign trade bank. With the appointment of M. Clémentel as Minister of Commerce in 1918 the situation changed. An Act approving the charter and the creation of the *Banque Nationale du Commerce Extérieur*—an act of which Clémentel was the author—was passed on 23rd October, 1919. The chief clauses of the agreement concluded between the State and the founders of the bank were as follows : The capital was 100 million francs of which one-fourth was to be paid up [66], and was subscribed up to one-third by the French banks and the remainder by trade and industry. The "Banque Nationale" had for

[66] At the beginning, the capital was 100 million francs divided into 200,000 shares of 500 francs each, delivered on payment of a quarter. The capital was reduced in Dec., 1925 to 75 million francs, the nominal value of the shares becoming 375 francs.

its purpose the discounting of all long term instruments and in a general way the handling of all matters relating to foreign trade. It was forbidden to issue and place securities or to accept deposits. The financial support of the State was shown by the payment (1) in the form of subsidy, of a sum of two million francs a year for five years, to be deducted previously on the "redevances" of the Bank of France ; (2) in the form of advances, without interest, of a sum up to 25 million francs, subsidy included, set apart to form a special reserve fund. The State exercised control over the operations of the Bank by the presence on the board of directors of two commissioners named by the Government [67].

The *Banque Nationale Française du Commerce Extérieur* was definitely established on 4th March, 1920. Unfortunately, from the very start, it was involved in several difficult transactions which gradually turned it from the purpose for which it was created. Even the subscription of its capital, made for the most part by large financial establishments in France who feared its competition, was not calculated to assist it [68]. Moreover, article 2 of its constitution prohibits the Corporation from establishing branches or agencies in France, a condition exacted by the existing financial institutions in order to prevent its competition and to make it impossible for it to receive deposits[69]. In that way it was deprived of one of the principal elements

[67] P. Clerget, *L'Organisation du commerce extérieur*. Mon Bureau (Paris, 15 janv. 1921).

[68] Nearly all large financial establishments have participated in the formation of this Corporation ; the *Crédit Lyonnais*, the *Société Générale*, the *Comptoir d'Escompte*, the *Banque de Paris et des Pays-Bas*, the *Banque Privée*, the *Banque Nationale de Crédit*, the *Crédit Mobilier*, the *Banque des Pays du Nord*, the *Compagnie Algérienne* and others.

[69] The "Banque" has its headquarters in Paris, but to ensure in spite of this prohibition a closer relation with exporters of the provinces it has representatives at Bordeaux, Le Havre, Lyons, Marseilles, Mazamet, Nantes, Roubaix and Saint Etienne.

of power possessed by English and German banks, which because of the deposits they receive are able to place at the disposal of their exporters hundreds of millions per year.

It would appear that this limited view of the rôle of a foreign trade and industrial bank is very old in France. Many years ago Courcelle-Seneuil [70], in his valuable work on banking operations, wrote of German banks as follows : "Many of the large German banks are heavily interested in industrial and colonial business. By their intervention they give, no doubt, services to the industries which they support or which they establish and maintain. However, this essential function should be reserved to houses supplying their own capital, and should not be carried on by banks receiving the deposits of customers of all classes. These operations are quite distinct from those of commercial banks. Industrial and colonial commitments tie up capital ; they do not permit the collection, at the first alarm, of liquid assets which are exacted by deposits and especially by deposits at sight—usually the most numerous —as well as the current accounts of creditors, which form the immediate resources to which traders and manufacturers betake themselves when they have pressing needs." It is difficult to agree with this point of view. The English and German idea of the functions of a bank specializing in export trade is surely preferable. The results obtained by the banks of those two countries in comparison with the meagre results of the *Banque Nationale du Commerce Extérieur* appear to prove conclusively the superiority of their methods.

The *Banque Nationale* appears also at the outset to have been placed under too close supervision and to have been hampered in its movements. It cannot, for instance,

[70] J. G. Courcelle-Seneuil, *Les opérations de banque*, 10th ed., revised by A. Liesse (Paris, 1909), p. 442.

open branches in cities in foreign countries where large French financial institutions are already represented. This restricts its influence to a very limited sphere and places it in a disadvantageous position as compared with home and foreign competitors.

By virtue of the regulations imposed on the "Banque", it must concern itself chiefly with the mobilization of credits to French exporters in foreign lands. This mobilization is assured by the discount when discount is possible. In the case of long term paper or instruments drawn on overseas countries which cannot be discounted, the "Banque" grants to exporters advances up to a certain proportion of the amount of the drafts delivered to it. These advances can be made in cash, but more often they are mobilized by the process of acceptance. The exporter is authorized to draw on the bank one or more drafts of which the total is equal to the advance granted. These drafts are accepted by the bank, and the exporter is then in possession of a bank acceptance easily rediscountable either at the "Banque" itself or at any other bank. Whatever may be the maturity of the instruments in the foreign country placed in guarantee of the advances, the bill of mobilization is drawn at 90 days as a maximum so that it can be rediscounted at the *Banque de France.* It is of course renewable at the end of 90 days if the credit granted to the foreign purchaser extends beyond that time.

The "Banque" also makes the collection of drafts and undertakes the sending of the commercial instruments and documents for proper signature and endorsement, thus taking entire charge of the important matters of acceptance and delivery. In case of litigation, its agents and correspondents can assure the protection of the goods in every contingency. The "Banque" has a very complete network of correspondents and there is practically no place of

importance where it does not possess a representative. It has offices at New York, Buenos Aires, Rio de Janeiro, Sao Paulo, and Vienna, and a branch at Milan. In accordance with its charter, the "Banque" also facilitates for its customers the importation of raw materials which France purchases from abroad. It arranges for the opening of credits, the payment of documentary drafts drawn at sight by foreign exporters on French importers—who reimburse the "Banque" with cheques, bills payable to its order and so on—and sees to the opening of accounts in foreign banks. On the other hand, realizing that its work is not finished when it has placed the maximum banking facilities at the disposal of its customers, the "Banque" endeavours to collaborate with them in every effort to penetrate foreign markets. For this purpose it has created two special departments. One supplies its customers with the requisite information as to the solvency of its foreign purchasers, which information it obtains by means of reports from its agents and correspondents abroad. The other, known as the "Service d'informations commerciales" (Commercial Intelligence Department), furnishes to clients the most extensive information possible as to the economic situation of foreign countries, the markets for French products which may be expected there, modifications made from time to time in customs tariffs, etc. It indicates possible purchasers of French products, searches on the spot for agents capable of representing French exporters in foreign countries, and indicates to them possible avenues of business. A "Bulletin d'Informations Commerciales", summarizing the information gained, is sent weekly by this department to clients of the "Banque". A "Bulletin d'Informations Economiques", devoted to the investigation of economic conditions in France and to the study of important French industries, edited in both French and English,

is sent each month to its customers and foreign correspondents. Lastly, the "Banque" possesses an important Exchange Department, which transacts exchange operations both cash and credit. In order to give French merchants every facility in the matter of forward exchange it established in March, 1924, at the head office of the "Banque," an "Office de Compensation et de liquidation des Opérations de change à Terme". This clearing office is under the control of a special committee of supervision composed of prominent banking, financial and industrial executives and carries out all transactions committed to its care at a flat rate applicable to buyers and sellers alike.

This description of the activities of the "Banque" has been taken from notes and reports furnished by its board of control, and conveys the impression of an active and progressive institution whose influence on foreign trade is bound to be considerable. The results obtained up to the present, however, hardly warrant this feeling of optimism. They appear rather to confirm the doubts expressed on this point at its very foundation in the parliamentary discussions on various items of its charter. It is, in fact, obvious today that, without serious modifications in the powers accorded to it, the "Banque Nationale" (on which economists and French exporters have built such high hopes) will merely vegetate. Up to the present at any rate, its economic management has been questionable. Since 1927 its New York branch has been closed owing to lack of funds, and similar steps will probably have to be taken in other cities. This is surely a singular result of the policy described as so promising, and reveals the general state of the bank in rather an unfavourable light. Whatever may have been its actual financial position from time to time, emergency sacrifices should have been made in order to prevent the closing of branches with the inevitable loss of prestige. In

the case of a bank engaged in export trade these branches are the very essence of its strength. In addition to carrying on ordinary business, they should also organize really efficient departments for collecting reliable information as to foreign customers and conditions. Services of this character cannot satisfactorily be rendered by foreign correspondents who frequently have interests of their own which conflict with those of the banks they represent. Deprived of branches abroad and unable in France itself to increase its resources by means of deposits, it looks as if the "Banque Nationale du Commerce Extérieur" will not be of any appreciable value in the matter of extending the export trade of France.

Up to 1927 France had done nothing towards the creation of a system of export credits by means of State co-operation. After 1921, it is true, the "Banque Nationale du Commerce Extérieur" prepared a scheme by which a guarantee from the State up to 80% of the total of transactions made was to be available, and more recently M. Clémentel, then Minister of Finance, introduced in his budget for 1925 a clause by virtue of which a certain percentage of the revenue from a tax on export business returns was to be utilized for the purpose of facilitating through the medium of the "Banque Nationale du Commerce Extérieur," the establishment of an insurance and reinsurance company for foreign trade credits. Neither of these projects, however, has materialized [71].

In 1928 the French Parliament considered a bill which aimed at filling the existing gap by offering facilities for export credit insurance. In the report made to the Senate on behalf of the "Commission des Finances" [72] on the project

[71] Etudes et Informations Commerciales de la Banque Nationale du Commerce Extérieur, No. 225.

[72] Le Temps, Paris, 10 Aug., 1928.

authorizing the government to guarantee collections on goods sold to foreign administrations or foreign public services, the following explanations were given to the Upper Chamber : Export operations by French business men are of two kinds. The first are transacted with traders, manufacturers or individuals ; the second with foreign states. Operations of the first kind can be guaranteed by the insurance companies because they are included in the ordinary field of their activities. The second, however, are of a special character, because in their case the purchaser evades all legal claims and all measures of constraint. Insurance companies, therefore, cannot insure them. The state alone is in a position to protect its citizens against risks which are of a political nature.

By the terms of the proposed law, government action varies according to the nature of the transactions. The exports in question must be of national importance and must consist of sales of French products to foreign public administrations or corporations handling a public service abroad. Moreover, they are limited to States which have concluded treaties, conventions, or economic agreements with the French Republic, it being stipulated that in the foreign countries so described are included their dominions, protectorates, colonies, or countries placed under their mandate. Consequently, the passing of this Act, of which the text was published in the "Journal officiel" of 19th July, 1928, only authorizes the French government to guarantee collections on exports to foreign administrations or public services, a restriction not found in similar legislation in Germany or England. It is quite obvious that an attempt has been made not to encroach on private initiative and to avoid competition with it. In the discussions which took place on the bill, it appeared as if it was only in the case of such transactions that the commerce of the

country needed state help and support. Foreign public administrations or corporations controlling public services abroad may actually be large customers for certain French manufacturers, especially for those capable of employing a large number of labourers and which have the greatest need of selling their products to foreign countries. It is right that the State should assist them in preference to others. Often French industries are called upon to sell, either by tender or by private contract, to states, provinces, municipalities, companies in charge of public services or controlled by foreign administrations, and exports of this nature may form for them a valuable item or even the principal item of their activities. The size of such orders generally reaches ten, and sometimes even hundreds, of millions of francs, but delays in payment exceed the normal duration of commercial credits, often extending over three, four or five years and even more. The risks, in short, are not only too heavy for exporters to carry, but they also possess special characteristics, for example when a successful conclusion of the transaction depends on a combination of conditions—political, economic and financial—which private insurance or reinsurance companies cannot appraise. The purchaser, moreover, escapes all legal claims and measures of constraint. They are not, then, normal commercial but political risks, which cannot be measured in any accurate way [73]. But if the French government has at last agreed to come to the aid of the manufacturer and exporter by taking over these abnormal risks and guaranteeing a successful conclusion to these operations, it has only done so under certain conditions clearly defined in the Act. The Minister of Commerce and Industry is only authorized to guarantee in the name of the State a successful conclusion

[73] *Le crédit à l'exportation*, Journal des Economistes, (Paris, 15 oct., 1928).

to such operations up to 60% of the total amount involved. Article 2 imposes a double condition with regard to the operation of this guarantee : 1st, the latter can operate only at the expiration of a period of six months from the date on which payment should have been made either in whole or in part ; 2nd, the refusal to pay shall not be due to any failure to carry out the terms and conditions of the contract. Article 3 of the Act requires that payments made in settlement of the claim shall be divided between the different interests—the State, banking establishment, moneylender, insurer, exporter, etc.—in exact proportion to the risk assumed by each of them. It is also understood that the exporter must be his own insurer for at least 20% of the total risk. Under Article 6 the limit of the risks assumed by the State in virtue of present arrangements was fixed at 300 million francs for 1928. Each year, in France, parliament determines the amount of new engagements which can be assumed by the State, and therefore, it remains the judge of the extent of the operations to be guaranteed, at least partially, by the State. To obtain this guarantee the beneficiaries have to pay, as in all cases of insurance, a premium the amount of which, if carefully calculated, would reduce to zero the burden actually carried by the State. Premiums paid by the insured may be cashed, according to Article 5, by the "Banque Française du Commerce Extérieur." An account will be opened in the "Caisse des dépôts et consignations[74]" in which will be recorded all the movements of funds taking

[74] The "Caisse des dépôts et consignations" is a sort of official financial institution peculiar to France and certain other European countries. In France its duties are : 1st, to receive on its own responsibility, but under a state guarantee, deposits and trust funds placed in its care either compulsorily or voluntarily ; 2nd, to administer the funds of those government departments whose special resources, such as the National Pensions Fund, have to be kept apart from the funds of the Treasury.

place in the course of the transaction, from the turning over of the premiums and the investments they imply up to the payments made by the State for the settlement of claims, and the appropriations which have been made to the treasury to cover these payments. Each year the "Commission des Finances" of the Chamber and the Senate will receive from the Minister of Commerce an account of the operations transacted. In spite of some restrictive clauses, the Act is of a nature calculated to benefit French exporters considerably, and without doubt the latter will profit by the advantages it gives, especially as regards the export of railway and aviation equipment, metallurgical products, electrical apparatus, automobiles, etc., which France is now in a position to sell abroad under satisfactory conditions.

(*f*) *Italian organization.*

In 1926 the Italian press stated that projects were being elaborated with a view to the creation of a corporation having for its purpose the collection of orders from abroad, their distribution amongst various industries and trades, and the inspection of manufactured products and shipments. A special credit organization with a capital of about ten million lire was also to be established. By this organization loans were to be made to small industries as well as to different trade associations, so that they might extend their activities and export under satisfactory conditions. To ensure for Italian products a market in North America, the organization was to form in the United States a corporation with Italian and American capital. Should this effort prove successful, a similar corporation was to be created in South America [75].

All these projects have not yet been realized and some

[75] La Tribuna, Nov. 16 (Milano, 1926).

are still under consideration, but everything points to the fact that Italy intends in the immediate future to equip herself with institutions of real importance with a view to developing her foreign trade. The new Fascist regime, so fecund in various experiments, is responsible for the above suggestions.

In 1925 Italy created the "Instituto Nazionale per l'Esportazione", a central organization destined to acquire great influence both in Italy and abroad. This institute aims at supplying information to exporters, guiding them in their activities, and investigating all matters likely to promote export business. In spite of its recent establishment, it has already taken some fruitful steps and initiated a policy from which can be predicted an important increase in the Italian export trade, probably within a very short time. One of the first measures adopted by the Institute was the organization of export credit. Under its inspiration there has recently been created a credit insurance company (Societa Italiana di Assicurazione Credito) with a capital of 17 million lire. The capital of this joint stock corporation was subscribed by the largest banks and principal insurance companies in Italy as well as by the National Insurance Institute. This fortunate combination ensures support to the corporation, in Italy as well as abroad by all the large financial institutions of the country. The corporation makes itself responsible for losses which the insured has sustained in carrying on trade with foreign countries and resulting from the bankruptcy (duly proved by certificate of failure or judicial liquidation) of his customer. It insures only up to 75% of the risk, and the insured must find his own insurance for the difference. Two types of policies are issued : 1st, the "specific" policy, which guarantees defaulted credits of customers previously accepted by the corporation. These policies

can be issued either for a definite transaction made with an approved client (individual policy) or for all transactions with this client (open policy) or, finally for all transactions made with various clients approved by the corporation ; 2nd, the "general" policy, which covers all the risks and losses which the insured may be subject to by reason of the bankruptcy of his customers. The Italian Government has also authorized by decree the National Insurance Institute to cover particular political risks affecting certain export credits. However, the complete settlement of this guarantee by the State, through the medium of an institution controlled by it, has not yet been definitely brought about.

(*g*) *The new efforts of Belgium.*

To conclude this survey of attempts made by some foreign countries to organize long term credits indispensable to foreign trade, we shall consider the creation in Belgium of the "Société Nationale de Crédit à l'Industrie". Before the war Belgium had no institution providing credit facilities for exporters similar to those of other countries. All banks carried out their transactions through short term credits which gave no assistance to medium sized industries, and did not contribute effectively towards commercial expansion. Post-war difficulties, however, and the necessity of coming to the aid of manufacturers and traders in an active country such as Belgium, which had, moreover, been kept out of the markets of the world by four years of German oppression, set on foot initiatives which led to the creation of the "Société Nationale de Crédit à l'Industrie". The "Banque Nationale" and certain Belgian financiers were responsible for the creation of this institution, which now rounds out the banking organizations of Belgium and has already rendered valuable services to the commerce of that country.

It is a flexible institution having a single object, to which it devotes all its activities. In the first place it has served as an auxiliary to the State in the reconstruction of devastated areas in Belgium, by financing the indemnities due to manufacturers ruined by the War. Its essential rôle, however, is to act as an instrument of credit, encouraging trade and industry, and powerfully assisting their expansion by means of new methods superior to those of pre-war days and more suited to the needs of the hour. Created at the very moment when Belgium regained her independent life and when she hoped to reconquer the markets of the world lost in the War, and which her former remarkable commercial prosperity had acquired, this institution received at its birth the enviable sponsorship of the "Banque Nationale", which continues to guide its destinies. It can also depend on the support of the State without having to fear its interference [76].

In August, 1921, the Belgian Parliament also passed the Wauters Act relative to export credits. This Act authorizes the State to guarantee the successful conclusion of sales of Belgian goods abroad up to the amount of 250 million francs. This guarantee is available only to associations which include the largest possible number of enterprises in the same industry. It only favours isolated industries for exceptional reasons. The commercial or industrial associations concerned remain responsible in the same way as the credit establishment which comes to their assistance, in a proportion determined by the government. The maximum length of credits granted is five years.[77]

[76] L. Mathieu, *Une grande création belge d'après-guerre*, Revue Economique Internationale (Brussels, Jan. 1922).

[77] The law was amended July, 1926, and the term of 5 years fixed in 1921 was extended to August, 1931. The maximum period for credit guaranteed, is five years for sales made to individuals. It can under exceptional circumstances be extended to six years when sales are made to foreign governments or when the transactions are guaranteed by a foreign state.

In proportion as payments are made, the government guarantee is released first.

It is important to state [78] that the Belgian government does not undertake the work of the trader or banker. It does not interfere in commercial operations, the effort and realization of which are left to the initiative of producers and bankers more competent to solicit customers, estimate their solvency, discuss conditions of sale and supervise transportation and delivery. The government does not even insure the funds involved. Its activities are not, therefore, substituted for those of private enterprise, which it encourages by diminishing to some degree the importance of risks which might hinder its development [79]. Finally, to bring about common action on the part of the large banking establishments of Belgium for the financing of huge export transactions, a committee has been formed consisting of four delegates of the principal banks and a representative of the Minister of Foreign Affairs. Will this new movement give birth to a general agreement among the banks, or even to the creation of a large foreign trade bank ? It is impossible to say at the moment. What is certain, according to the information we have received, is that at the present time the co-operation of

[78] *Pour l'Expansion Belge*, in Lloyd Commercial (Antwerp, June 15, 1921).

[79] In the parliamentary discussion of the Act by which the government proposed to the Chambers to modify and extend the Wauters Act of 1921, we find the following statistics and comments on the results obtained from this Act to July 15, 1926 : the total amount of transactions for which the guarantee has been granted was 188,670,630 francs ; the amount of the sums guaranteed was 94,221,725 francs and the engagements of the Treasury were still 56,416,964 francs on June 30. Up to this date, owing to the prudence with which the committee controlling the Commission of Guarantee considers proposals or claims of guarantee, no intervention of the Treasury has been necessary. The State has therefore suffered no loss, a result which merits attention.

the banks might be quickly secured if an important export transaction presented itself. This is a tremendous step in the right direction and promises well for the future development of the foreign trade of Belgium.

(*h*) *The work of Canadian banks.*

In Canada, as we have already stated, some attempt has been made since the War to assist our manufacturers to procure funds for the development of their export trade to countries which were temporarily embarrassed. This, however, merely consisted in the granting of credits by the Canadian government to certain countries on condition that they were employed in the purchase of Canadian goods. These credits amounted to nearly $44,000,000. No organization, official or otherwise, has arisen so far to meet the difficulties of the post-war period and to cope with similar problems of more recent date. Canadian exports, nevertheless, have continually increased during the past few years. The reason for this is quite evident. Canada, as is well known, exports principally foodstuffs and natural products badly needed in other parts of the world. Customers for these are therefore numerous and competition is limited. The necessity for such organizations as we have described above in the case of other countries is naturally much less felt in the Dominion. Nevertheless, our exporters of manufactured products have every reason to consider carefully what has been done elsewhere in this connection. They might then understand why it is that our foreign competitors are selling their goods on markets abroad while Canada can only with difficulty dispose of her manufactures.

We have no export banks in the true sense of the word. Canadian banks, whose organization is well adapted to the particular needs of the country, are above everything else

banks of issue and deposit. They make discounts on short term paper and give credit to agricultural, forest, mineral and other industries. They do not, however, actively concern themselves in helping those who manufacture for export. Such persons frequently cannot obtain from them all the credit facilities or other forms of assistance they need for their trade abroad. The principal banks are the Bank of Montreal, the Royal Bank of Canada, Canadian Bank of Commerce, Bank of Toronto, Bank of Nova Scotia, Banque Canadienne Nationale, Banque Provinciale, and the Dominion Bank. All these banks, of course, render certain services to the exporter by discounting his bills, issuing letters of credit, and obtaining for clients financial information concerning foreign purchasers. Up to the present, the first three banks mentioned in the above list have been most active in these directions. All three of them have established Foreign Departments which deal with enquiries from abroad or from Canadian traders desiring to be put in touch with agents or purchasers in other countries.

The Royal Bank of Canada appears to be the best equipped for assisting export trade. Of the 162 branches which Canadian banks possess in foreign countries, the Royal Bank has 117. There are 61 in Cuba, 28 in other parts of the West Indies, 25 in Central and South America. It has also offices in New York, Barcelona, Paris and London. The Bank of Montreal has an office in London and Paris, three in the United States, six in Mexico and one in the West Indies. The Bank of Nova Scotia has an office in London, three in the United States and 22 in the West Indies. The Canadian Bank of Commerce has an office in Paris, four in the United States, five in the West Indies, and also offices in Mexico, Rio de Janeiro and St. Pierre and Miquelon. The Dominion Bank has offices in

London and New York. The Banque Canadienne Nationale has an office in Paris.

This short survey shows clearly that Canadian banks have made serious efforts to foster foreign trade with the West Indies and with Central and South America. Nevertheless, these efforts are far from sufficient, if one can judge from the small number of manufactured products which we export to these countries, especially in comparison with the enormous quantities of goods sent there by our competitors. Finally, in Cuba and in many countries of South America, we purchase much more than we sell. Our banks, no doubt, play their part in all these transactions. In this way, it is true, they render valuable services to our importers and, to a lesser degree, to our exporters of foodstuffs and raw or semi-manufactured products. At the same time, it is evident that the mere provision of agencies in foreign countries cannot possibly take the place of banks specializing in export trade and actively co-operating with exporters of manufactured products in the way we have pointed out as desirable.

In other parts of the world, with the exception of London and Paris, our banks are represented only by foreign correspondents. They can through this medium obtain information regarding firms who wish to trade with Canada, cash their bills there and open up credits. On the other hand, it is obvious that they cannot in such countries engage in activities indispensable to commercial penetration, or carry on propaganda in favour of Canadian products in the same way as a national bank. They have to limit themselves to transactions which come their way. Their rôle ceases at this point. This, as we have already stressed, is not sufficient. What is really needed is to obtain for our manufactured products foreign markets in which, with great ingenuity and perseverance, our com-

petitors have sold similar articles for a long time. It would not be difficult to develop gradually the agencies of Canadian banks which already exist in foreign countries, into active business concerns able to procure profitable trade for our exporters. Encouraged by the good results which would doubtless follow their efforts, these banks, which have already proved themselves progressive and enterprising, would then continue in a successful manner the expansion of their activities by creating new branches in other countries where at present our efforts are insignificant. By this means our commercial influence would penetrate markets of greater interest to our manufacturers than those to which, with only moderate results, they have hitherto always turned their eyes. Most of these distant countries capable of absorbing our manufactures require special sales tactics and peculiar caution from the financial standpoint. Because of these factors, the assistance of national banks is indispensable, and we are sacrificing our exporters if we leave them to fight single-handed, or with the meagre help of foreign correspondents, in the midst of all the difficulties they are sure to encounter at the very outset in negotiations of this kind.

CHAPTER VII

PROPAGANDA

INDEPENDENTLY of the personal publicity which ought to be carried on in foreign countries by those who wish to sell their products, it is necessary that there should be developed a unified and active publicity campaign on the part of governments and commercial or industrial associations. Such a campaign aims first at attracting attention to the country and its products, and then endeavours to keep exporters adequately supplied with information concerning foreign markets. This propaganda may be official or unofficial, according to the nature of the organization which furnishes it.

I. Official Propaganda.

In Canada the most effective work of this kind is carried on by the Department of Commerce, which has established at Ottawa a Commercial Intelligence Service, the importance of which increases from year to year.

In addition to the facilities provided by its offices at Ottawa, the Department appoints a number of officers in foreign countries who are called Trade Commissioners. As Canada has no consular service, these officials look after the commercial matters which are usually undertaken by consuls in the case of other countries.

The Federal Government has a Bureau of Statistics, which publishes at fixed periods detailed reports concerning the fluctuations of production, including in its scope the

industries, agriculture, forests and mines of the Dominion. These reports also provide tables of statistics concerning the foreign trade of the country. Such publications are available to the public, and should serve as a guide to those who are interested and have patience to study them [1]. Some of them are monthly publications, others annual. The Commercial Intelligence Service of the Department of Commerce, on which the Trade Commissioners are dependent, publishes every week a small paper of 32 pages in English and French, which reproduces the essential parts of the reports sent to the Department of Commerce by its agents in foreign service concerning the economic situation of the countries where they reside. Business opportunities offered to Canadian exporters, modifications made in the customs tariffs of foreign countries, offers, inquiries, and tenders, are all included. This is followed by a table of exchange, the sailing dates of vessels from the principal Canadian ports, and in short all the information which the Department believes it useful to bring to the attention of traders. For several years the Department of Commerce has also published economic monographs—very complete and interesting—written by the trade commissioners. It is highly desirable that the number of these publications should be increased ; they entail on their authors much research, study and inquiry made on the spot [2].

By means of cards the Department has organized an index kept well up to date, of Canadian exporters. They number, at present, over 1,700. Each card states the

[1] The Canada Year Book published by the Bureau of Statistics is an invaluable compilation of statistics.

[2] Examples of publications of this character are H. R. Poussette, *The Indian Empire as a Market for Canadian Products ;* L. D. Wilgress, *The Trade of the New Countries of South East Europe;* W. McL. Clarke, *Trading with Egypt ;* E. L. McColl, *Peru as a Market for Canadian Products.*

products in which the exporter or manufacturer is interested, gives information as to his financial standing and capacity of production, the countries to which he exports or with which he wishes to be put in touch, the names of the agents who represent him in foreign countries, and all other details likely to be of interest to prospective purchasers of his goods. Each trade commissioner receives a copy of this card. Information is passed on, when required, to individuals in foreign countries who wish to enter into business relations with Canada. Up to 1st January, 1927, the Department of Commerce sent to all exporters whose names were on their files, all business requests which might interest them as soon as they reached Ottawa, that is, sometimes several days before the printing of the weekly journal. After the above date this accelerated information service was suppressed, because, according to the reports given to the press by the Department of Commerce [3], "the results obtained were insignificant". It would appear, therefore, that the suppression of such a useful form of service resulted from the fault of the traders themselves, who did not appreciate properly the advantages it gave them. This statement is all the more noteworthy when one realises that in most foreign countries this plan gives entire satisfaction to all concerned. The commercial attachés and the consuls are everywhere officers whose duty it is to inform the country they represent of business possibilities in the region to which they are sent. In Canada, as we have stated, our trade commissioners are charged with this task. Their rôle, therefore, ought to be not only to keep Canadian exporters in touch with everything which might interest them as regards the sale of their products, but also to supply importers with all the information they

[3] Dec., 1926.

need concerning raw materials employed in home industries [4].

It is from this double point of view that one should estimate the field of activity allotted to these officials. Their technical and commercial knowledge must be extensive, so that they can answer adequately all sorts of questions put to them on these matters and present to the home government clear and well documented reports thereon. One can appreciate the importance of these activities when one considers that the success or failure of numerous commercial enterprises will depend on the accuracy of the information supplied by such consuls, commissioners or attachés. For this reason these officials everywhere are chosen with great care. In certain countries these attachés are former consuls who, after succeeding as such, are sent back as attachés to the very territory with which through long residence they are thoroughly familiar. In other countries admission to such positions is obtained by means of competitive examinations amongst candidates already possessing suitable university degrees. Generally, attachés, like consuls, are sent abroad only after a sufficiently long period of probation with the Department of Commerce, and begin work in foreign countries in a junior capacity. Canada has at present 32 trade commissioners stationed in the following cities abroad: Athens, Auckland, Batavia, Bristol, Brussels, Buenos Aires, Calcutta, Cape Town, Chicago, Dublin, Glasgow, Hamburg, Havana, Hong-Kong, Kingston (Jamaica), Kobe, Lima, Liverpool, London, Melbourne, Mexico, Milan, New York, Oslo, Panama, Paris, Port of

[4] As far as we know, the Department of Commerce has not, up to the present, asked its representatives in foreign countries to concern themselves with this last problem, which is very important. No effort should be spared in helping our manufacturers to secure the raw materials they need from places where they are cheapest, so as to lower their cost price.

Spain, Rio de Janeiro, Rotterdam, San Francisco, Shanghai. It will be seen that this service is already an important one. Since the armistice it has been considerably increased, but even yet it is only the embryo of what it should be. If one compares it with the important bodies of consuls and commercial attachés possessed by our competitors [5], it will readily be seen that as yet we are far from being well equipped in this respect. Although one must admire the sacrifice and talent with which certain trade commissioners defend Canadian interests in distant lands, one has to admit, nevertheless, that their limited number prevents them from rendering all the assistance which the Dominion might expect from them if this branch of service were extended. Very often the territory assigned to them is so extensive that they would not have time to study or travel over it thoroughly, even if they had the financial and other means to do so. There are other gaps, too, in this important branch of the Canadian civil service. The root of the trouble lies in the problem as to the choice of the commissioners themselves. For some years it was considered sufficient to select a candidate with little or no regard to his qualifications and special knowledge for carrying out the duties assigned to him. It was thought especially desirable to obtain for this service men who had had a sufficiently long experience in business. This in itself is a grave mistake, because when all the knowledge required for such a position is considered, the man who possesses it along with many years' business experience has already found a much more remunerative post in trade or industry. He has, naturally, therefore, no desire to leave it in order to enter government service. It was only possible, then, to attract by this policy discards in business who for one reason or another were glad to become govern-

[5] See the following chapter—the Example of Foreign Countries.

ment officials. Gradually, however, the manifest lack of success which resulted from such methods of recruiting led to the working out of better methods. Today a certain amount of business experience is always demanded, as heretofore, but it is also stipulated that candidates shall have had a university training [6]. In spite of this improvement the present requirements for office are insufficient. Only men with university degrees in commerce or economics, or engineers who have acquired the indispensable complement of commercial training, should be admitted to these positions. All the other branches of the civil service recruit their specialists amongst technical experts thoroughly familiar with their own fields. Why do we not adopt a similar policy in the case of these men, whose knowledge must be extensive and, in fact, really specialized in matters of trade, industry, world resources, commercial legislation, and so on? Again, up to the present, sufficient importance has not been paid to the question of languages. All young men admitted into the ranks of trade commissioners should know at least three languages. This would permit them to go to foreign countries where they could make themselves understood on arrival and rapidly acquire a knowledge of conditions with infinitely greater chances of success. It is also desirable that the staff at many vital points should be doubled, by adding assistant trade commissioners before increasing the number of commissioners in new centres. Upon admission to the service a young man is very properly required to spend two years or more with the Department of Commerce at Ottawa, where he becomes familiar with the machinery of the

[6] For the last competitive examination under the Civil Service Commission (November, 1928) these qualifications were no longer required and it was deemed sufficient that the candidates should have had an education "equivalent" to graduation from a university.

central office before leaving the country. Numerous journeys and trips across Canada enable him to make a thorough and practical study of the Dominion and its resources. After this period of probation, he should spend some years at various places in foreign countries and gain experience in all possible parts of the world before being named trade commissioner in charge of a district. Acting as secretary and as a well-trained auxiliary to commissioners in various places he would render them valuable service, facilitate their work and make it more effective. Following on a suitable course of study, this should prove the ideal way of training a really first-class official of this kind. Business experience should then not be required, and the young men desiring to enter this service should be allowed to qualify for admission immediately after graduating at the university. The time actually spent in business would be much more profitably employed if there were substituted for it a longer stay at Ottawa, travels in Canada and a number of years as assistant trade commissioner in different parts of the world.

We are, at present, far from reaching such a stage of organization, but it is to be hoped that it may be established with as little delay as possible. This will, of course, necessitate spending more money than has been done up to the present. The expenditure is, however, necessary and the whole of industrial and commercial Canada will benefit. In this connection, it must be pointed out that in certain cities where high costs of living prevail our trade commissioners do not receive a sufficient salary or allowance for expenses. These representatives of Canada, moreover, are not consuls officially accepted by foreign governments. They often, in consequence, find themselves in a position of inferiority as compared with their

colleagues from other countries [7]. Besides, if they are not given the means to occupy the social position they should have, we considerably lessen their efficiency.

Despite the handicaps above mentioned, one must recognize that many trade commissioners are exceedingly active and that, within the narrow means at their disposal, they have largely contributed to the development of export trade in Canada. The services and information of every sort which Canadian exporters can receive from trade commissioners are very numerous [8], and in their own interests it is desirable that exporters should get into the habit of keeping in touch with them by correspondence or by means of personal visits whenever possible.

The provincial government of Quebec has two official representatives, one in London and the other in Brussels, whose rôle and duties are different from those of the federal trade commissioners, but who nevertheless are desirous at all times of rendering service to the exporters of the province of Quebec. By getting into touch with them, traders will gain easier access to important markets. Both of them publish a monthly review [9] which maintains in England, Belgium and France, a most active publicity campaign in favour of Canada. The provinces of British Columbia,

[7] Since the Imperial Conference of 1926 Canada has grown into full nationhood and consequently takes her place in the International Council of Nations and sends her own diplomatic representatives abroad. She has now a High Commissioner in London and Ministers plenipotentiary at Washington, Paris and Tokio. The government of Great Britain is officially represented at Ottawa by a High Commissioner, while the United States, France and Japan have all appointed ministers to Canada.

[8] These services are enumerated with full details in Report No. 33, 1925, pp. 25 ff., of the Federal Department of Commerce, Ottawa.

[9] That published in London, edited in English is called *Quebec*. The other, which until recently appeared in French at the same time in France and Belgium, was called *Paris-Canada* and its supplement *Belgique-Canada*. The latter are now merged with the official organ of the "Comité France-Amérique" in Paris.

Alberta, Ontario, New Brunswick and Nova Scotia have each an official representative in London.

II. Unofficial Propaganda.

(*a*) *Chambers of Commerce and Boards of Trade.*

In all its chief cities Canada has important associations of business men, designated either as Chambers of Commerce or Boards of Trade. These organizations study and discuss all questions relating to trade and commerce. They frequently submit projects to government bodies and insist on the latter taking measures felt to be necessary for the commercial and industrial progress of the country. In the large cities, especially in Montreal and Toronto, these organizations have a commercial library which they place at the disposal of business men. By an intelligence service, they also supply exporters with special data concerning markets, transportation and other useful details. They serve also as intermediaries between traders in foreign countries and those of Canada, putting them in touch with one another or finding them agents. Most of these associations publish a bulletin in which they call special attention to enquiries and offers of this character.

It will be evident that these organizations can to some extent exercise a useful influence on those matters with which we are concerned in this present survey of conditions, especially in the development of our exports. It is generally agreed, however, that in too many cases the activities of these bodies—however numerous and influential they may be in the internal affairs of the country—are not sufficiently aggressive to be effective in the realm of international trade.

(*b*) *The Canadian Chamber of Commerce.*

In 1925, under the name "The Dominion Board of Trade of Canada", an association of all the chambers of

commerce in the Dominion was organized. Its name has since been changed to "The Canadian Chamber of Commerce". Having at its disposal sufficient financial means, and co-ordinating as it will the efforts of all interested associations in the country, this central body should soon be in a position to give a new and definite impetus to our foreign trade. Its success will, however, depend on the attention it gives to our commercial policy. Being independent of the influence of any political party, and having only in view the general welfare and progress of the country, it may in fact become a great economic council capable of directing the commercial destinies of the Dominion, just as similar associations do in the case of other countries. It is too soon, however, to speak definitely on this point. It will be necessary to watch for some time how the fusion of the diverse interested elements is brought about, and whether the personality, ability and enterprise of those appointed to the board of directors will be sufficient to lead them on to achieve great things. The efforts made up to the present to create a general movement certainly warrant an optimistic attitude, and this new association appears genuinely anxious to occupy itself with solid work in the achievement of an objective which is clearly defined and certainly attainable. As a result, it has a right to expect the co-operation of all its participating elements and the loyal support of every Canadian citizen. It is to be hoped that this indispensable co-operation and support will not be denied.

Since its organization, the Canadian Chamber of Commerce has held an annual convention, first at Halifax, then in Vancouver, Quebec and Edmonton. At these conventions, economic problems affecting the Dominion have been discussed by prominent business men. The session at Quebec was almost entirely devoted to export trade.

Through its official organ, "The Commerce of the Nation", the Chamber has recently outlined its plans for the future. Its programme [10] shows a determination to prosecute vigorously those national and non-political projects for which the organization was created. The demand for an all-Canadian business association originated in the Maritime Provinces, where it was felt that such an association would bring together from time to time business men from all parts of the Dominion in order to exchange views directly, study one another's problems, and discuss and promote ways and means of remedying unsatisfactory economic conditions. The plan found general favour among business men of public spirit, and there was established what is now a highly useful and active association. Where previous efforts to create a Dominion Board of Trade, or its equivalent, had failed, the present undertaking is meeting with success. It is directed by capable men, and although all its objectives may not yet be realized, the list of those approved at the recent meetings of the executive is at least an encouraging indication of the scope of the movement. It is proposed to enlarge the active membership to include at least 200 boards of trade and chambers of commerce, to take one or more referenda on a national economic subject, to call a conference in which agricultural and other interests will collaborate, to continue the work of national committees on immigration, foreign trade and interprovincial trade, to set up committees on national agriculture and aviation, and to send Canadian trade missions to Japan and South America, there to study the possible extension of our trade relations with these countries. It is also proposed to incorporate the Chamber and submit its adopted policies to Ottawa.

[10] Editorial in the *Gazette* (Montreal, October 26, 1928).

(*c*) *The Canadian Manufacturers' Association.*

This association is the national organization of the manufacturers of Canada, and was founded in 1872. The head office is at Toronto, but it has important provincial divisions at Amherst, N.S. (Maritime provinces division); Montreal ; Winnipeg (Prairie division) and Vancouver, B.C. The objects of this powerful association—which has about 5,000 members—are to promote Canadian industries and to further the interests of Canadian manufacturers and exporters. With these ends in view it keeps its members informed by means of its commercial intelligence department and its transportation, tariff and insurance departments. It publishes an excellent monthly review, "Industrial Canada," and an annual "Canadian Trade Index", which lists and classifies all the manufacturers of Canada under the category of goods manufactured. This index is distributed abroad through government trade commissioners, export associations, and other agencies. Some years ago the members of the association most interested in export trade formed an "Export Club". This disappeared in 1925, but a new committee has been formed to continue the excellent propaganda work begun by the club on behalf of the export trade of the Dominion.

(*d*) *The Federation of Chambers of Commerce of the British Empire.*

This is an association of Chambers of Commerce throughout Great Britain, the Dominions and the Colonies. It has for its object the furthering of economic relationships between all parts of the British Empire and the mother country, and meets in triennial congresses in different parts of the Empire. The latest congress was held at Cape Town in October, 1928, and two meetings have been held in Canada. Since that year Canada has been represented on the executive committee of this federation by the president of the Canadian Chamber of Commerce. A

large number of economic questions of vital interest to business men are under constant consideration by the executive committee, which meets at fixed periods. Some of the more important matters which have been discussed recently include : improved transit between Great Britain and the Dominions, Imperial penny postage, Imperial Research, the development of the resources and industries of each part of the Empire, and the consolidation and augmentation of inter-Imperial trade.

(*e*) *The Empire Marketing Board.*

During the past three years, the British Government has instituted a new method of encouraging Empire trade, by the creation of the Empire Marketing Board. This was founded in 1926. Every year a sum of $5,000,000 is provided by the government, to be spent in promoting the sale within the United Kingdom of Empire products, including, of course, the products of the fields and orchards of Great Britain. By means of coloured posters, newspaper advertisements, displays, exhibitions, and "shopping weeks", the Empire Marketing Board appeals to every class of consumer in Great Britain, urging him to choose Empire rather than foreign produce. The aim of its publicity is to keep the Empire before the eyes of every one in Great Britain, from the large wholesaler to the housewife with small resources. By means of large grants from its funds towards scientific or economic research likely to increase the supply or improve the quality of Empire produce, it also helps to find solutions to such problems of urgent practical importance as cold storage, wastage of crops and cargoes by insect pests, etc. This is indeed a splendid idea, and it is much to be desired that all parts of the Empire should co-operate in attaining this objective, yet it has still to be proved that the results obtained by the Dominions in marketing their goods in Great Britain

really warrant the expense involved. The latest report of the Board [11] on this subject states that : "The programme is planned to take effect over a considerable period, and much of its work cannot show direct results in two years. In any case the question is one which cannot well be answered in any statistical table. But the Board has received much evidence that its work has materially strengthened the demand for Empire produce in the United Kingdom and has definitely increased the sale of particular Empire commodities."

(*f*) *The International Chamber of Commerce.*

It is to be hoped that in the near future Canada will become a member of the International Chamber of Commerce and will as a result be represented at its various conventions. This organization owes its inception to the International Trade Conference held at Atlantic City in October, 1919. At this conference were present eminent business men, manufacturers, and economists of the United States, France, Great Britain, Italy and Belgium. Previously various international congresses of chambers of commerce and industrial associations were held—at Liège (1904), Milan (1906), Prague (1908), Boston (1912), and Paris (1914). These gatherings gave manufacturers and traders an opportunity of meeting and discussing subjects of international interest. After the war it was recognized that the creation of a permanent international organization was absolutely necessary, and that it should be extended so as to include bankers as well as manufacturers, traders and shipowners. The countries which at the present time have national committees of the International Chamber of Commerce are : Austria, Belgium, Denmark, Spain, the United States, France, Great Britain,

[11] Empire Marketing Board—Report May, 1927, to May, 1928 (His Majesty's Stationery Office, London), p. 6.

Hungary, Indo-China, Italy, Japan, Luxembourg, Norway, the Netherlands, Poland, Sweden, Switzerland, and Czechoslovakia. In certain countries (Argentina, Bulgaria, Colombia, Costa Rica, Dantzig, Estonia, Greece, Guatemala, Haiti, Morocco, Portugal, Rumania, South Africa and Jugo-Slavia) there are organizations which are counted as members of the Chamber until a national committee is formed.

The International Chamber of Commerce places at the disposal of manufacturers, traders and bankers of different countries a permanent organization which enables them to discuss methodically questions which interest them, and to provide for common action. It comprises active and associate members who are grouped in national committees. Active members include the most important institutions or industrial, commercial and financial associations in a country, provided that they have no pecuniary purpose or political design. Associate members include individuals, firms or corporations organized for industrial, commercial or financial profit. In each affiliated country there is a national committee which groups together all the economic forces of the country. This committee is a bond between members within the country and maintains constant relations with the headquarters of the Chamber. The national committee aims at securing government support and putting into effect within its own country the resolutions of the International Chamber of Commerce. It keeps the headquarters in touch with the progress made as well as thoroughly acquainted with the economic conditions of the country. It collaborates with it in all enquiries which the council decides to undertake in different countries, and also organizes the work of the various commissions. The national committee in each country appoints certain of its members to represent it at the inter-

national conventions, congresses, council meetings and meetings of investigation committees. A general convention is held at least once every two years. The constitutional convention held in Paris in 1920 adopted the statutes of the Chamber. Since then, other conventions have been held in London (1921), Rome (1923), Brussels (1925), and Stockholm (1927). All kinds of questions—some of the greatest interest to students of international trade—have been discussed at these conventions, notably financial problems, economic conditions, the question of the adoption of an international bill of lading, arbitration from an international trade point of view, the protection of industrial property, customs formalities, statistics of production, flag privileges, settlement of general average, certain regulations of aerial and railway transportation, unification of commercial terms, etc.

The Chamber is administered by a council named by the various affiliated countries, who have the right to appoint to this council a number of members corresponding to their economic importance. To settle questions which require quick decision and immediate execution, the council may delegate to an executive committee, composed of fifteen members at the most, such of its powers as it deems necessary [12]. At headquarters [13] experts assist the general secretary, who carries out the decisions of the council and the executive committee, prepares and organizes the convention and the work of the investigation committees to which the council has entrusted the task of examining particular questions. He also receives opinions from various committees on such questions, and obtains from a consideration of these different points of view an inter-

[12] These two committees include prominent individuals in trade and industry in all the affiliated countries.

[13] Established at Paris.

national opinion on the subject, which is expressed in the form of a report or resolution to be submitted for the approval of the council. These investigation committees are composed of representatives and experts named by the national committees. They make a thorough study of the problems submitted to them, and furnish the necessary facts for discussion by the convention.

Finally, there is a commission on arbitration, composed of about 100 members, which offers its friendly services of all kinds for the settlement of disputes between traders who live in different countries. This arbitration commission is not a tribunal which judges, but an authority which names arbitrators and controls the course of procedure in case of litigation. This procedure meets all the conditions required by the laws of the country where the arbitration takes place. All the associate members enjoy free of charge the advantages provided by this commission of arbitration.

The Chamber publishes circulars dealing with problems of the day in a practical and concise form. It also issues a bulletin which gives an account of the activities of the International Chamber of Commerce and of the national committees, and pamphlets containing studies and investigations made by the Chamber on special subjects [14].

The above description will give some idea of the great importance of this new international organization in view of the economic needs and relations of the various countries taking part in its activities. It is certainly essential that Canada, whose international trade is growing in importance, should be officially represented on this body as soon as possible.

[14] See various official publications of the International Chamber of Commerce (object, statutes, etc.)

(*g*) *The International Parliamentary Commercial Conference.*

This is another important organization of parliamentarians, economists, and commercial experts. It has been created for the special purpose of discussing the economic problems which confront the nations of the world. It is of vital importance that Canada should be represented at its meetings also, and it is to be hoped that in the near future a Canadian delegation may participate in the work of this new and interesting body. This conference was founded at the suggestion of the commercial committee of the British House of Commons, which for twenty years has exercised a powerful influence on all commercial legislation in the United Kingdom, and is composed of one-third of the members of the House. In 1913 the commercial committee requested a group of Belgian statesmen to take the initiative towards the establishment of an International Parliamentary Commercial Conference. These gentlemen undertook the task, which was not without its difficulties, of forming parliamentary commercial committees in the principal parliaments of Europe. The conference of June, 1914, at which were represented the parliamentary commercial committees of Austria, Belgium, France, Great Britain, Germany, Holland and Russia—Italy and Hungary having also given their support —held its first session in the Belgian Senate House under the high patronage of King Albert and the Belgian government. A permanent office was established in Brussels.

The object of this Conference, as stated in the first article of its statutes, is to unite in common action commercial commissions on legislation passed in the principal parliaments, in order to present a united front with regard to the text of laws on commercial affairs, and thus to assure to all participating nations, by means of mutual

support, a more efficacious protection of their commercial interests abroad. The national committees are autonomous and vary widely in their constitutions. Sometimes they are official—as in Japan, Serbia, Poland and Portugal. Sometimes they are semi-official, as in France, England, Italy and Belgium. In some cases they are composed of members of parliament and technical advisers as in France, Italy and Belgium ; or exclusively composed of members of the two chambers, as in England, Serbia, Greece, Japan and Portugal. The members of each committee choose the form of constitution they prefer. Article II of the statutes decrees that each country can only be represented at the conference by a single group, constituted with a view to presenting a national programme, and formed solely for the purpose of taking part in the work of the Conference. About six weeks after the establishment of the Conference, the War broke out. However, in 1915 a second session was called in Paris and the work of the Conference became much more extended than was at first anticipated. It discussed the economic problems which arose from the anxieties of the War, and met again at the Senate in Paris in 1916, at the Capitol in Rome in 1917, and at the House of Lords at Westminster in 1918. Each meeting gave increasing evidence of the vitality of the institution, whose devoted services during the War have been acknowledged on all sides. In 1919 at the fifth plenary session in the Belgian Senate, the Conference inaugurated the study and discussion of economic problems relating to the restoration of peace. It has since met in the French Senate in 1920 and 1922, in the Chamber of Deputies at Lisbon in 1921, in the Legislative Assembly at Prague in 1923, in the Belgian Senate in 1924, at Rome in 1925, London 1926, Rio de Janeiro 1927, Paris 1928. The 1929 meeting took place at Berlin in June.

(*h*) *Participation in Fairs and Expositions.*

If exporters wish to sell in foreign countries, they must make their products known. The publicity which each exporter makes on his own account, indispensable and excellent as it may be, is insufficient. A manufacturer may, of course, make his trade mark known and develop quite a good business in foreign countries. But it is necessary, for him, in addition, to interest himself in collective action. Wherever, therefore, competing countries exhibit their goods at regular intervals, Canadian manufacturers should be represented. The influence of such organizations as the Canadian Manufacturers' Association and the Canadian Chamber of Commerce should be utilized to bring about the realization of such projects. Common action is essential where fruitful participation in expositions is concerned. It is certainly necessary that a country which wishes to appear as a great exporter to foreign countries should not fail to have a section sufficiently representative of its industries at all important fairs and exhibitions. In this way it will give the visitor an adequate idea of its industrial strength, of the variety and quality of its products, and of its ability to sell at the best price and at any time on demand, the articles desired. There is no better way of creating a desire to purchase, on which depends to a large extent the establishment of new business connections. For many years the federal government of Canada has had an exhibition department [15]. This department is very well organized, has ample funds at its disposal and is fortunate in possessing a highly competent technical staff. It has organized a "Canadian Pavilion"

[15] This division was under the Department of Immigration and Colonization until December, 1927, when it was transferred to the Department of Trade and Commerce. Since that date it has been administered by this department and is called "Exhibition Commission".

in the large international expositions which, during the last quarter of a century have been held in various cities of the world. Everyone who has visited these exhibitions or has read adequate accounts of them in the press, knows that the Canadian sections have always been much admired, and that they have often been considered the best of their kind [16]. They have made Canada known in distant countries, yet on the whole they have contributed very little to the development of our export trade. Why is this ? Because their chief object has been to attract immigrants and capital to Canada—two things of which we certainly have great need. To this end their organizers are content to show in elegant buildings the varied products of Canadian agriculture and our natural resources, whether furnished by the forest or the mine, ably illustrated by means of dioramas of great beauty. They are not interested [17] in manufactured products as such with the exception of those which represent the earliest stages of manufacture from natural resources—for example, wood pulp, certain metals in bars or ingots, and other semi-finished products. Rarely does one see displays of Canadian industries properly so-called. Almost everywhere and with the same purpose in view, the Canadian Pacific Railway—and one must now add, the Canadian National Railway—have prepared and installed remarkable

[16] Lord Burnham wrote on the Canadian participation in the Wembley Exhibition : "The Canadian building is the best piece of national advertising that has ever been attempted and carried out in any country." Similar opinions were given on the subject of the Canadian buildings at the expositions in Paris, 1900, Brussels, 1910, Ghent, 1913.

[17] We note, however, with great satisfaction in a despatch from Ottawa (October, 1929) that it has been decided to exhibit at the next international exhibition to be held in Belgium in 1930, such manufactured products as farm machinery, motor cars and electrical devices. Plans are also under way for the official participation of Canada in the British Empire Trade Exhibition to be held in Buenos Aires in 1931. These are steps in the right direction.

Canadian exhibitions which have been shown in all the four quarters of the earth, the latest being displayed in New Zealand and at Wembley [18]. Since the War, however, these international exhibitions have been rare, especially in Europe. Despite the interest created by these large commercial demonstrations, it must be remembered that their excessively high cost in comparison with the advantages gained, makes the undertaking a very burdensome one. The War appears to have awakened the interest of all nations in more strictly utilitarian projects such as the famous fair at Leipzig, and for some years past similar fairs have been organized at Lyons, Marseilles, Bordeaux, London, Birmingham, Glasgow, Brussels, Liège, Berlin, Munich, Frankfort, Milan, Lausanne, Prague, Bucharest, Belgrade, Oslo and elsewhere. Their constantly increasing number seems to be a proof of their value.

The basic principle of fairs is quite different from that of world expositions. Whereas the latter are held at long intervals in the large capitals of Europe—such as Paris, London, or Brussels—and in certain important cities in America—such as Chicago, St. Louis or San Francisco—the fairs take place in each city where they are organized at least once a year. They last only for a week or two, whereas expositions sometimes continue for six months. Fairs are purely commercial and neglect entirely the "side shows" which form such an important feature of the larger expositions. Their main object is the transaction of

[18] The Wembley Exhibition limited only to countries of the British Empire, and the New Zealand and South Seas International Exhibition were really large fairs lasting from six months to two years, where Canadian manufacturers were well represented and did considerable business. It is principally to the Canadian Manufacturers' Association that we owe the participation of Canadian industry in this last exhibition.

business. Exhibits are accompanied by selling agents well supplied with samples, and orders are received on the spot. Moreover, fairs exist for the needs of business men, not for ordinary visitors and sightseers. They allow traders, sellers, and buyers to meet together for their own purposes, eliminating the embarrassing crowds which herd at exhibitions for diversion and amusement.

Most fairs provide facilities for the display of all kinds of industrial and agricultural products, but some of them are specialized. Such, for instance, was the paper fair held at Berlin in 1921, which displayed only products of the paper industry. On similar lines exhibitions of agricultural implements were held at Toulouse and Cape Town in 1922, and toys are exhibited at Nuremberg. Nearly all these fairs are international, although in certain cases they have been limited to the industries of a particular country, as is the case with the British Industries Fair in England.

The most interesting fair of this type is undoubtedly the Lyons Fair, initiated by the energy of its mayor, M. Edouard Herriot, who created it in the midst of the War to offset the influence acquired up to that time by the celebrated fair at Leipzig. At its inauguration in 1916, the founder said : "We have attempted to defend the industry aud commerce of France otherwise than by words". In the beginning it was on quite a modest scale, but the enthusiasm and energy of its directors has made it in the space of a few years an outstanding success. The first fairs were held in movable stands such as one still sees in most cities which have imitated Lyons, but shortly after the War it was decided to give the Lyons Fair a permanent palace. This is an imposing building, beautifully designed, and is located near the splendid park of the "Tête d'Or" on the left bank of the Rhône. The success of this annual fair is remarkable. Buyers, counted by

means of special admission cards, return every year in hundreds of thousands, and represent forty foreign countries. These magnificent results, although due in some measure to the unique geographical position of Lyons, have been responsible for numerous imitations in France as well as in foreign countries. The ever-increasing number of these fairs will probably lead to difficulties later on. It is evident that they injure one another, and it would certainly be better for each country to have one large fair instead of a number of unimportant ones. It is, of course, difficult to regulate a matter of this kind and to prevent competition, because of the rivalry existing between cities. Fairs of little value will, however, disappear because they will be rapidly deserted, and in fact it is stated that during the past two or three years all the fairs except those most solidly established have passed through a severe crisis. Since 1926 several have been postponed to a later date (Buenos Aires, Berlin, Cologne), others have been suppressed (Coblenz, Hanover) and the majority have had less success since 1926 than in former years. The reason for this change in public opinion may be found primarily in this, the multiplicity and frequency of the fairs ; but it is also to be attributed to the character of the fairs themselves, because they attempt to bring together interests which are completely distinct and therefore difficult to reconcile. These annual displays of samples for the purpose of advertising new productions are intended for widely different classes of customers according to the nature of the articles or products exhibited. Many manufacturers try to make their articles known in this way to the mass of consumers. Others are interested in attracting traders who sell such goods as well as in the public which consumes them. Others, again, attempt to reach retailers only. In consequence, certain manufacturers

declare themselves satisfied with fairs which welcome everyone who is interested, while others with equal reason demand that only traders should be admitted [19]. In any case it is plain that the number of fairs likely to succeed has been exceeded. It is to be hoped that they will not increase further, and that the creation of new fairs will not be encouraged in countries where one or several already exist. To help the exhibitors, a policy should be universally adopted which is already in operation in several places, viz.: exhibitors should be grouped under various categories, and visitors also classified according to the sections in which they are interested. In spite of the great success—at least up to a year or two ago—of the fairs which have been held since the armistice, many countries have found them unsatisfactory The desire to sell has been so great that instead of inviting foreign purchasers to such fairs a new type has been evolved—the itinerant fair—which goes to the prospective customer. Several projects of this kind have been announced, of which some have been realized with great success. The Italians by means of the royal yacht *Trinacria*, placed at the disposal of traders and manufacturers, sent a floating fair of samples to all the principal ports of the Mediterranean. Eighty Czechoslovakian firms fitted out a train with samples of their products to travel through Rumania and Bulgaria, and the same country planned to send a similar train to the Baltic countries. The English planned some years ago to equip an exhibition ship for the purpose of visiting all the Dominions [20]. Germany thought of fitting out a floating exhibition to visit the United States, and Austria hoped in a similar way to advertise its products in the

[19] M. Mayer, *Une Crise : les foires commerciales*, in *Exportation-Importation* (Paris, 15 May, 1926).

[20] This project was abandoned because of its difficulties.

Near East by sending a boat down the Danube across Hungary, Jugoslavia, Bulgaria, and Rumania and then through the Black Sea to visit Turkey, Greece and Asia Minor.

Canada and France have also utilized movable exhibitions of this kind. From August to November, 1921, an exhibition train of French products was sent from East to West of Canada—Montreal to Vancouver—stopping at 48 places. It was estimated that nearly 350,000 visitors filed past the exhibits. From December, 1921, to February 1922, a stationary exhibition, complementary to the itinerant one, was held in Montreal, the commercial metropolis of Canada, in a spacious hall placed at the disposal of France by the School of Higher Commercial Studies. This exhibition was opened by Marshal Foch, and met with marked success. France then invited Canada to come and display her products, and in 1923 a Canadian exhibition train toured France. Leaving Havre in July, it arrived at Paris, in October, having stopped at 32 French towns [21]. Soon after, at the invitation of the Belgian government, the Canadian train visited the principal cities of Belgium. Wherever the exhibition stopped, crowds pressed about the stands continually. In certain cities, it was estimated that from 75,000 to 100,000 people visited it in an afternoon. Altogether, several millions of French and Belgian citizens admired the products of Canada. During the month of December, 1923, a stationary exhibition at the Tuileries in Paris brought to a brilliant conclusion this interesting experiment in commercial propaganda.

In such ways can one prepare the ground for the conquest of foreign markets. It is, therefore, increasingly

[21] The French train in Canada was a genuine railway train while that of Canada was formed by automobile lorries (tractors and vans) totalling thirty exhibition waggons.

necessary that our traders and manufacturers should be convinced that, if they wish to export successfully, they should become acquainted with their prospective purchasers and show them the goods they have to offer. Fairs and expositions are held for this very purpose, and we must expect to make monetary sacrifices if we wish to profit by the advantages they provide. It is quite evident that, up to the present, Canadian exporters themselves have made scarcely any effort in this direction. Apart from the outstanding success of the Canadian train in France and Belgium and the participation of the Dominion in the fair at Lyons in 1919 as well as in the expositions held at Wembley and in New Zealand, our representation in foreign countries of latter years has been negligible. This policy obviously sells nothing and leaves the position entirely to our competitors. If we wish to develop our exports of manufactured products, it is high time our manufacturers were represented in all the principal fairs of the world.

From the point of view of developing business, it is preferable that each manufacturer should have his own stand. However, if this effort is considered too expensive, it ought to be possible to form groups of industries which would organize at their common expense such representation in foreign countries, distributing among themselves the orders obtained in proportion to the contribution made by each. It will, of course, be difficult to do this because of the competition which obtains between different concerns engaged in the same industry, but such disadvantages as may occur will be largely offset by the profits which each would gain. In any case, this is a better policy than that of doing nothing. Exhibiting abroad in a continuous way will enable manufacturers to attract the steady attention of foreign buyers and lead them by degrees to think of our

country as a possible seller. They will then be able to appreciate the quality and value of the goods we have to offer. Once the ground has been carefully prepared in this way, it should be comparatively easy for our manufacturers and exporters to turn their occasional purchasers into regular customers.

In this connection it might be well to consider whether the time has not come for creating a Canadian committee of expositions and fairs whose work should be to co-ordinate the efforts of Canadian manufacturers in this matter and to facilitate their participation in the exhibitions and fairs held in foreign countries. Such a committee could group together delegates from all the Boards of Trade, Chambers of Commerce, Associations of Manufacturers, etc. It should include financiers, economists, and other influential persons in various spheres. It should study thoroughly and at first hand all requests for participation made to Canada, and once convinced that any Canadian industry or at least a section of those engaged in it were really interested, the committee could arrange for an exhibition in a certain country. In such a case, it would use all its influence to obtain as full a representation as possible of the productive capacity of the Dominion. Once a start was made, provided that our business men were wide awake enough to take advantage of the chances of profit offered them, we should see increasing numbers of exhibits of Canadian manufacturers side by side with those of competing countries. Such committees already exist in several foreign countries and give excellent results in every case.

One of the latest organizations of this kind was created in France in 1923. The permanent committee of fairs in foreign countries (Comité permanent des Foires à l'étranger) was formed under the direction of the Department of

Commerce [22]. This committee has for its purpose the centralization of information on fairs in France and in foreign countries. It organizes French participation in any of the latter which have a particular interest for the trade and industry of France. The results obtained by this committee since its foundation have been most encouraging. They form an excellent testimony to the breadth of vision of its initiators, the excellent methods they have used in carrying out their object, as well as testifying to the manner in which they have excited the interest of manufacturers. They have also carried out actual participation in the fairs of several foreign countries [23].

(*i*) *Commercial museums and information bureaux.*

We have already spoken of the importance of the exporter's being able to keep himself informed without difficulty as to conditions in foreign markets. All exporting countries have recognized this need for a long time, and with slight modifications in the methods employed, have attempted to place at the disposal of exporters as much information as possible. Everywhere economic libraries, information bureaux and commercial museums have been created for this purpose. In certain countries they have been organized under the care of the government ; elsewhere they owe their existence to the private initiative of exporters, chambers of commerce or other organizations interested in the development of foreign trade. Commercial museums are of two distinct types. One type fills a double rôle, being not only a means of educating students but also a museum for the information

[22] The second bureau of the "Office National du Commerce Extérieur" has under its direction fairs and expositions.

[23] For details on this subject see : Supplement of the *Illustration économique et financière*, Jan. 26 (Paris, 1924), p. 19.

of exporters [24], whereas the other is purely for the use of exporters. In museums of the first kind, one finds all the raw and manufactured products which are the objects of trade. The collections are arranged in such a way as to show the changes which the goods go through in the process of manufacture. Small models of factories, apparatus and equipment of various kinds complete the display. Maps and photographs show the various sources of production, methods of transportation, packing, and all other details of interest. One finds there manufactured products from all parts of the world as well as geographical collections grouping raw and manufactured products by regions [25]. It will be obvious that museums of this sort are useful to importers, who can obtain from them information as to the places of production of the raw materials used in industry, or of manufactured products required by the home market. They are equally useful to exporters, who can study by comparison the production of other countries and make themselves acquainted with the types of goods desired in the countries where they wish to trade. Commercial museums of the second type are essentially sample museums. One finds there, as a rule, manufactured products only, grouped by countries. Each category contains the home product placed side by side with similar products offered by foreign countries in the same markets. Each sample is accompanied by useful details such as the special qualities required, the price, possible customers,

[24] It is in this category that the Commercial and Industrial Museum created as an annex to the School of Higher Commercial Studies in Montreal must be classed. This museum was begun in 1917 and possesses today important collections which are constantly increasing. It is open to the public every day in the week.

[25] The last collection of this character received and placed on exhibition at the Commercial and Industrial Museum of Montreal came from French Indo-China and includes many hundreds of samples of raw and manufactured products.

methods of sale, and so on. The exporter can then decide whether his goods are likely to interest buyers in a given market and also whether he is in a position to meet competition already established there by other countries.

Here are the terms in which the Belgian government defined [26] nearly half a century ago, when founding the Commercial Museum at Brussels, the rôle which this new organization ought to play on behalf of the exporters in the economic life of that country. "The aim of this museum is to inform manufacturers and merchants as to the commercial progress of foreign countries, and at the same time to facilitate commercial transactions with the consumers and producers of these countries. It ought to have, in its own way, in the domain of commercial sciences the place occupied in the domain of natural sciences by geological, zoological and other collections ; it ought to assist the producer to meet competition, not only by placing before him goods preferred in various parts of the globe, but also by making known under what conditions the product can find a sale ; it ought, in a word, to place the manufacturer on his guard as far as possible against unprofitable transactions which generally result from an imperfect knowledge of the tastes of consumers." Such a museum can render invaluable service to commerce provided it is kept well up to date ; otherwise its usefulness is transient. Consuls and commercial attachés are required everywhere to collect samples and to send them regularly to their respective governments. This involves considerable expenditure and also continuous and attentive work on the part of these officials. Many museums, on account of the difficulty in obtaining regular supplies of samples, have been closed and have become merely infor-

[26] *Le Musée Commercial, son but et son organisation,* Ministère de l'Industrie et du Commerce (Brussels, 1880).

mation bureaux. Commercial museums, however, are fairly numerous, the most famous being at Philadelphia, London, Brussels [27], Stockholm, Milan, Turin [27], Rouen, Lille, Frankfort, Budapest, Oslo, Vienna, Tokio and Montreal.

Information bureaux, more than the museums to which they are generally attached, are important for the material they supply and the other directions they give to help exporters in their business. Such bureaux generally include various sections, such as (1) a *commercial intelligence bureau*, which ought to be able rapidly and accurately to provide exporters with all the information they need as to business opportunities in foreign countries, giving them all possible details concerning methods of transacting business in these countries, such as packing and shipping requirements of transportation and insurance companies, the system of currency, weights and measures, consular and customs regulations as well as import duties, port dues, etc. They should also furnish reliable information as to the commercial laws in operation in such countries, especially those relating to questions of credit, bills of exchange, payment of foreign debts, trade marks, etc. They should be able to give practical advice as to the organization and operation of tribunals of commerce, arbitration or conciliation boards, the banking system, etc. A division [28] of this bureau usually specializes in getting financial and other particulars regarding purchasers and agents in foreign

[27] The Collections have been removed since the war and the museum exists at present only as a remarkably well organized information bureau. At Milan, and also at Turin, in consequence of the difficulties which have been met with in keeping up to date, the exhibition sections have been closed.

[28] This is the case in the Foreign Trade Bureau annexed to the Commercial Museum of Philadelphia, to be described later on, which possesses a Consultative Credit Index of the principal cities of the world giving financial information regarding over 375,000 foreign firms.

countries, the standing of firms and the character of the business they transact, etc. The data required by these various departments ought to be obtained first by means of systematic abstracts compiled by a competent staff from numerous books, annuals, reviews, statistical, geographical and other publications. This information should be kept entirely up to date by means of reports which the bureau should obtain regularly either from the Canadian trade commissioners or from special correspondents appointed for the purpose in every important city and port of the world. Such bureaux will place at the disposal of our exporters advantages similar to those which have long been available to exporters of most other countries. (2) *A reference library*, containing works and reviews of science, industry, trade, transport, geography, finance, etc., of which the classification should be carefully made [29]. The modern trader ought to study ; he ought to read books and reviews dealing with the business in which he is interested, instead of acting blindly in some fashion of his own. (*3*) *An editorial, translation, and publication department* equipped for the translation of documents in various languages and also for the publication of an official organ of the museum, as well as of any publicity required in connection with it.

It will readily be admitted that an information bureau of this kind would be of the greatest value to Canadians, especially if there were established along with it a bureau of scientific research which could supply manufac-

[29] The library of the School of Higher Commercial Studies of Montreal, the only organization of its kind in Canada, has nearly 16,000 works of this character and receives monthly more than 600 periodicals which are carefully classified, catalogued, and placed at the disposal of traders and manufacturers. It is an inexhaustible mine of information for those who wish and know how to make use of it. Several of the Canadian banks have large and valuable libraries as, for example, the Canadian Bank of Commerce library at Toronto.

turers with the technical details they need. What powerful instruments of commercial and industrial progress such institutions would become ! As already stated, the School of Higher Commercial Studies at Montreal began some few years ago the organization of a commercial and industrial museum and also of a special economic and commercial reference library, which it hopes in the near future to develop more fully into the kind of organization we have indicated above. Today in many countries of the world such information bureaux and commercial museums are in operation, though with varying functions and under different names.

CHAPTER VIII

THE EXAMPLE OF OTHER COUNTRIES

FOR many years the principal exporting countries of the world have made strenuous efforts to secure for their manufacturers all the commercial intelligence so vital to their success. It is obvious, then, that Canada must follow their example without delay if she wishes to compete with them on equal terms in the markets of the world. It will therefore be useful to review briefly in this chapter what other nations have done in this matter.

(*a*) *The United States.*

Few countries possess an organization for the collection and distribution of economic data equal to that enjoyed by citizens of the United States. In that country official departments are thoroughly well organized, and private concerns support them loyally in the task of solving problems. The efficiency of these departments is backed up by the well-known American spirit of initiative and enterprise. These combined factors account for much of the success realized by American foreign trade in recent years. The Bureau of Foreign and Domestic Commerce attached to the Department of Commerce at Washington is the chief organization dealing with economic expansion [1].

[1] During the months of February and March, 1926, Mr. I. F. Marcosson published in the *Saturday Evening Post* three articles entitled *Commercial Explorations, Adventures in Export,* and *Ambassadors of Trade,* in which he gave an excellent description of the many valuable services which the Bureau of Foreign and Domestic Commerce renders to American exporters. These articles show by means of numerous examples the important influence which the reorganization of the department since 1914 has had on the development of the foreign trade of the United States. They are recommended especially to those who are doubtful as to the necessity of a similar organization in Canada.

It is kept up-to-date by means of regular and frequent reports sent in by consuls, trade commissioners, commercial attachés, field investigators and other officials who are scattered in large numbers all over the world. The information thus acquired is speedily passed on to those interested, either directly or through district offices and chambers of commerce, and even confidentially to exporters registered for the purpose. The publications of this office are numerous ; some of them are daily bulletins giving information received by cable from every part of the globe.

The consular service of the United States was legally organized in 1856. For a long period appointments were made all too frequently on political grounds, and no matter how efficient the activities of these officials turned out to be, every change of government led to recalls and removals from their ranks. This instability and favouritism resulted in a service of little value. Since 1895, however, admission to careers of this kind has been by examination. From year to year the requirements for admission have been made increasingly exacting, and promotions now take place on the basis of merit and not of seniority. The effect of this policy has been to create for the United States a consular staff of real ability, whose efficiency is without rival elsewhere. This staff numbers at present, all told, over 1,000. It consists of consuls-general, consuls, vice-consuls, consular agents, apprentice consuls and interpreters residing in 600 cities in about 50 countries. All these officials are under the control of the Secretary of State (consular branch), and must obtain an "exequatur" in the country to which they are accredited. They enjoy, accordingly, diplomatic immunity and other prerogatives belonging to official positions of the kind. These consuls and their staffs render extremely valuable services to American citizens in foreign countries in the way of pro-

tecting their persons, money and private rights of all kinds. In this, of course, they act in a similar way to the consular staffs of other countries. But where matters connected with foreign trade are concerned, they are specially instructed to supply their home government with every sort of information, as exact as possible, bearing on the industry, trade and transportation of the countries in which they reside [2]. In accordance with these official instructions, they must take particular pains to notify the head office in Washington without delay of all business opportunities which come under their notice. They must send particulars of all important public works in course of construction or projected, changes in communication facilities or transportation rates, modifications taking place in the economic situation of their district, the creation of new industries or the development of old ones, inventions or discoveries, the expansion or decline of manufacturing or commercial centres, improvements in port equipment, new health regulations, fluctuations in wages, changes in the customs tariffs or in laws dealing with copyrights, patents and trade marks, and in fact every sort of information which might conceivably prove useful to manufacturers and business men in the United States. These reports are printed and sent as quickly as possible to those interested.

The Bureau of Foreign and Domestic Commerce was founded in 1912, by the amalgamation of the Bureau of Manufacturers with that of Statistics. By the terms of the

[2] The United States demands a consular invoice for all imported goods valued at more than a hundred dollars. This arrangement enables the American consul established in the foreign country to ascertain whether the merchandise is undervalued in the customs declaration. He provides the customs authorities at the port of destination with all information of this character which he can get, and in this way facilitates greatly the supervision of customs and the rigorous application of duties.

statute which created it, this bureau exists for the purpose of promoting trade and industry by the collection and distribution of information likely to be of use or benefit to commercial interests of all kinds. It forms a channel through which American exporters can obtain all sorts of particulars as to foreign markets—their commercial position, the nature of competition and methods of meeting it, the places where raw materials essential to any industry are produced, the tariff and customs regulations, the commercial laws in force, details regarding transportation, etc.

This vast intelligence service is divided geographically into three regional divisions. 1.—The European division, which besides Europe, includes the Levant, Africa, Siberia and Canada ; 2.—The Latin-American division ; and 3.—The Far Eastern division. Each of these divisions directs the activities of the foreign offices under the control of the bureau, digesting the reports received from its various representatives. These are called "commercial attachés" when they are established in a capital near the American legation, as in the case of Buenos Aires, Rio de Janeiro, Berlin, London, Pekin and elsewhere. In other cities they are called "trade commissioners" as in Sao Paulo, Hamburg, Montreal, Calcutta, Shanghai, Sydney, etc. But whatever the name by which they are called, such officials perform similar functions. They receive the co-operation of a series of travelling experts or "field investigators" who are constantly on the move making enquiries of various kinds. These officers send the results of their researches to the trade commissioners residing in the district in which they operate, and from him they receive their instructions. In large capitals both an attaché and a trade commissioner are provided. In case of special need a sufficient number of well-qualified collaborators is sent to their assistance. At Berlin, for example, there is a specialist who concerns

himself solely with matters connected with the iron and steel industry ; another studies the chemical and potash industries, a third is occupied with the study of general labour conditions, and so on. The bureau is now represented by 51 offices in 40 foreign countries. These offices are staffed by 32 commercial attachés, 59 trade commissioners, and 49 assistant trade commissioners.

The three regional divisions of the Bureau of Foreign and Domestic Commerce direct the work of all the foreign offices, analyzing the reports which they receive from the attachés, trade commissioners and consular agents within their respective areas. Each week in a brochure named "Commerce Reports" [3] they publish facts of special interest, as well as the latest cables received from foreign countries concerning the general commercial situation and financial developments in the leading foreign markets. More than 1,000 foreign representatives of the United States Government, as we have stated, are constantly forwarding to headquarters the latest information gleaned in their respective fields. Thus the regional divisions are always in a position to piece together and issue to those interested a complete survey of current commercial and industrial conditions in foreign countries. The value of such information is surely beyond question.

The Bureau of Foreign and Domestic Commerce has also established in the principal cities of the United States 23 district or branch offices and 43 offices provided by the co-operation of commercial organizations and trade associations of various kinds. These offices are maintained for the purpose of distributing more effectively the commercial information received at headquarters from foreign countries. They also help to ascertain and meet more

[3] This bulletin was issued daily up to 1922 and called Daily Consular Reports.

successfully the particular needs of business men in various parts of the country, and are useful in maintaining closer co-operation everywhere between the government and the exporters. Each district office possesses a file of confidential information regarding business opportunities abroad, as well as lists of foreign importers, annuals, reviews, trade directories, etc. These are freely placed at the disposal of interested persons. Each office also receives specifications and samples and holds from time to time exhibits of types of goods suitable for foreign markets. Local manufacturers are encouraged to visit and inspect them. They also arrange conferences between exporters and consular officials, trade commissioners or commercial attachés who happen to be home on leave in America.

The Bureau also includes a commodity division, subdivided into 17 sections whose efforts are devoted to receiving and supplying expert information concerning a specific product or series of similar products [4]. Each of these sections is in charge of an official who has had practical experience in selling these goods abroad and so possesses first-hand knowledge of difficulties confronting American exporters in foreign markets. The commodity division [5] thus secures for the trade exactly the kind of information it needs, and helps to disseminate this information as rapidly and widely as possible. Each section is in close contact with the principal trade associations in its particular field and is accustomed to co-operate with them. By such associations it is largely guided as to the type of information and services which will be of most benefit to the trade as a whole. Special sections are at present

[4] The creation of these commodity divisions was the work of Herbert Hoover, Secretary of Commerce from 1921 to 1928.

[5] See the Annual Reports of the Director of the Bureau of Foreign and Domestic Commerce, Washington.

arranged for the following commodities: agricultural implements, automotive products, chemicals, coal, electrical equipment, foodstuffs, hides and leather, industrial machinery, iron and steel, lumber, minerals, paper, petroleum, rubber and rubber goods, shoes and manufactured leather goods, specialties (including office appliances, musical instruments, jewellery, amusement devices, scientific instruments, etc.), textiles, transportation and communication, including equipment. By the creation of this commodity division the Bureau has undoubtedly placed itself in direct contact with all manufacturers interested in foreign markets. Lastly, another department of the Bureau renders specialized services of a technical nature to business concerns. This department has sections devoted to commercial intelligence, commercial law, finance and investment, foreign tariffs, regional information, statistical research, statistics, and transportation. Each of these sections has its special field of activity, and is in a position to keep the American exporter in touch with practically every detail he wishes to know about the foreign trade of his country. He can find out, for instance, all about the import and export trade not only of America, but also of every other country in the world. He can secure accurate information concerning the duties levied in foreign lands on the products in which he is interested, the methods pursued in levying these duties, the customs and consular regulations in force in these countries, and become acquainted with special regulations concerning commercial travellers, the sending of samples or advertising material to foreign countries. The section of finance and investment in foreign countries makes a careful and detailed study of all enterprises abroad which might interest American capitalists. The financial support which Americans give to such a large number of undertakings abroad secures for

their manufacturers in return important contracts for supplies of material or transportation equipment [6]. The legislation and transportation sections are occupied in a similar way, securing for exporters all the details they need concerning laws in force in all countries in such important matters as bankruptcies, international settlements, patents, transportation, etc.

All these departments, therefore, enable business men to obtain accurate information either verbally or by correspondence, about all kinds of foreign trade problems. A series of publications—the "commerce reports" [7], monographs, guides, handbooks, bulletins and circulars—each of which is issued at a small subscription rate, provides a constant means of circulation for the various particulars furnished by the above-mentioned agents in foreign countries. Special publications, prepared with the utmost care, supply precise details as to business opportunities in foreign countries of interest to certain industries in America. The titles of some of these monographs will give an idea of the importance of the assistance they give to exporters : "Cotton Goods in Latin America", "Shoe and Leather Trade in the United Kingdom", "Shoe and Leather Trade in Germany", "Cotton Goods in Russia", "Philippine Market for Lumber", etc. According to a recent annual report of the bureau (30th June, 1928) it rendered, during the previous year, some specific service to the American public on nearly 3,000,000 occasions—or 10,000 each business day. This was five and a half times as many as

[6] It is estimated that since 1914 investments of American capital in foreign countries exclusive of war debts, increased from 2 billion to 10 billion dollars.

[7] The Commerce Reports which up to 1922 appeared daily are now published once a week. They are supplemented by leaflets and additional bulletins appearing continually whenever important and urgent information is obtained. Communications to the press are also issued.

in 1921, the first year of operation under the bureau's specialized commodity plan.

To this admirable official organization placed at the service of the American exporter, must be added numerous associations and unofficial intelligence bureaux which, each in its own sphere, plays an important part. Such are the American Manufacturers' Export Association of New York, The United States Chamber of Commerce at Washington, The Pan-American Union of Washington, The Chambers of Commerce of New York, San Francisco, Los Angeles, Portland, Cleveland, Seattle, St. Louis, Detroit, New Orleans, Atlanta and other places. Each of these has a well-equipped foreign department and is in a position to supply its members with full information on foreign trade matters. The same is true of the Merchants' Association of New York, the Pittsburg Foreign Trade Commission, the Massachusetts State Industrial Commission of Boston, the Chicago Association of Commerce, and others. During the past few years numerous chambers of commerce have been established—such as the Argentine-American Chamber of Commerce of New York, the Chilian-American Commercial Association of the same city—having as their special object the promotion of trade relations in both directions between these countries and the United States. A large number of chambers of commerce of this kind have been in existence in Europe for many years.

Before closing this survey it is necessary to mention in some detail the operation of two of the most powerful organizations which render important services to export trade. They are : The National Foreign Trade Council of New York and the Commercial Museum of Philadelphia.

The National Foreign Trade Council is not, properly speaking, an organization for supplying information, but rather a great national council acting as adviser in matters

of commercial policy. It was created in 1914 with a view to studying the principal problems affecting the development of the foreign trade of the United States which, especially from that time, became rapidly more important and complicated. Its main object is to educate the American people in foreign trade matters, to make them understand their importance and to show them the immensity of the fields of activity which foreign trade offers to the initiative of business men and manufacturers. Although not concerned in the same way as the associations and organizations mentioned above with supplying information on foreign trade to those who need it, the Council indicates on general lines to all the American people the policy to be adopted and the procedure to be followed in developing foreign business. In this sphere the Council has, during the past sixteen years, admirably served the cause for which it was created. It is composed of the most influential persons in industry, trade, finance and transportation throughout the whole country. Its headquarters are in New York, but each year an important convention, attended by thousands of exporters and manufacturers, is held in some large city of the United States [8]. All the most important questions of the day form the subject of reports and debates which enable members to draw conclusions and decide on suitable objectives for future efforts [9]. At each session practical questions are re-studied, light is thrown on general problems and new suggestions are put forward for the solution of many of the specific problems exporters have to meet, some of which we have already

[8] The convention of 1926 was held at Charleston, South Carolina, that of 1927 at Detroit, of 1928 at Houston, Texas. The 1929 convention took place at Baltimore.

[9] The stenographic reports of all these discussions form a series of most interesting volumes which contain a mass of useful information from the standpoint of export trade even for readers who are not Americans.

touched on in this book—the training and competence of commercial staffs, the activities of banks and the granting of export credits, publicity in foreign countries, ocean and land transportation, insurance and so on. During the four or five days the convention is in session, some 40 or 50 experts are placed at the disposal of members for the personal discussion of problems which baffle them in their business. These experts include officials of the Bureau of Foreign and Domestic Commerce, consuls on leave and heads of the largest firms in the United States which specialize in export business. For the first time in 1926 and every year since then, a small number of Canadian business men and delegates of the Federal Department of Commerce, have taken part in these conventions. Without doubt there has resulted from this participation a useful exchange of opinions between these delegates and the American members. It seems, however, much more desirable, now that they are familiar with the aims and methods of this organization and have seen at first hand the services it renders to the United States, for these Canadian participators to insist on the creation of a similar body in Canada. More than is the case with the United States, Canada needs an awakening of public opinion on the subject of the numerous advantages which the development of our export trade would bring to the Dominion, and there is every prospect that gatherings of this nature would not lack the encouragement they deserve from Canadian manufacturers and exporters. Such meetings would stimulate the enthusiasm of our business men, and contribute greatly towards placing them in a position to profit more substantially from the vast field of opportunity offered them in foreign markets.

The splendid work of the Commercial Museum of Philadelphia has often been described, and commendation

has been showered on it in many countries. The Commercial Museum at Brussels was, indeed, the first of its kind, but the museum at Philadelphia is much more important and renders valuable service to both exporters and students. Founded in 1894 with the assistance of the State of Pennsylvania and the City of Philadelphia, the museum began in quite a humble way, from which its marvellous extension could hardly have been predicted. Energetic and highly competent men, among them Dr. W. P. Wilson (who up to last year was its director) faced all kinds of difficulties at the beginning of its work, but refused to be discouraged because they foresaw the position which the United States would rapidly achieve amongst the manufacturers and exporters of the world. At that time the Americans could not always produce for themselves everything they required, just as is the case with ourselves today. Their industries, however, rapidly developed, and an intensive immigration policy brought them each year millions of new customers. The systematic organization and development of these industries rendered indispensable the purchase of raw materials from all parts of the world, and soon overproduction necessitated the export of manufactured goods. All this was foreseen by these men who were wise enough to look ahead, so that when the United States as a whole and Pennsylvania in particular — fundamentally an industrial state—began to export, it would be possible to place at the disposal of manufacturers and exporters organized material for investigation capable of supplying the information required by growing needs. Such organizations, of course, are not created in a day ; and at the time when they are set on foot, public opinion is rarely prepared to recognize the ultimate advantages which will accrue. It will be realized, especially by those who have experimented in these matters even on a much smaller

scale, to what a degree these pioneers who visualized so plainly the coming needs of their country had to face discouragement and disappointment because of the slowness of the business men, whose interests they had so much at heart, to understand the importance of the task they had undertaken. Today the Philadelphia Commercial Museum, with its various information departments, occupies a position without parallel elsewhere [10]. Its prestige stands very high, and the excellent financial position which it now enjoys is another proof of the masterly way in which its objects have been attained.

According to a recent official report of its activities[11], the museum has specialized in three different fields, each, however, converging towards a single end—the development of the foreign trade of the United States. In the first place, it gathers together and displays collections of all the raw and manufactured products of the world in such a way as to illustrate the life and progress of all nations, and to show how goods may be sold to or purchased from foreign countries. Secondly, it supplies to the public schools of Pennsylvania commercial, industrial and geographical instruction by the free distribution of collections of samples, photographs and appropriate information as well as providing illustrated lectures. Thirdly, it collects reports and details of all kinds concerning industry, production, marketing and transportation of goods, commercial legislation, customs tariffs and trade requirements, and keeps up to date lists of the principal importers and exporters of the world for the use of American manufacturers and merchants and for the purpose of facilitating export business.

[10] According to one of its latest financial statements the land, buildings and equipment of the museum are valued at cost price at more than two and a half million dollars and the collections at more than a million dollars.

[11] Report of the Philadelphia Museum, 1918-1920.

It would take too long to describe in detail the various sections of this museum, the staff of which numbers several hundreds. It has workrooms for the preparation and mounting of specimens for exhibition, printing shops, exhibition rooms both temporary and permanent, a vast economic library and an important commercial intelligence bureau. The exhibits shown in the Museum cover all the important products of the principal commercial countries of the world. The geographical collections show in a striking manner the commercial products and potential resources of many countries as well as their chief industries, and give a general idea of the life of the people. A separate collection of monographic exhibits deals with manufacturing processes from the raw material to the finished products, by-products, etc. These exhibits are completed by models of industrial plants, sections of mines and mine equipment. In large show cases, life-sized figures of men and women workers illustrate the harvesting of rubber in the Brazilian forests, work in the rice fields of China, the breeding of silk worms in Japan, the picking and baling of cotton on the plantations of the Southern States, as well as numerous other original and instructive scenes. All raw products, minerals, foods, textiles, etc., are abundantly represented, and the collections include samples from all centres of world production. Certain basic products—such as oil, petroleum, wheat, sugar, tea, coffee, linen, silk, wool, gums and resins, rubber, furs and skins—are represented by carefully prepared exhibits arranged in glass cases. These exhibits display specimens of all these products in the forms in which they are furnished to world commerce by the principal producing countries, and are accompanied by explanations describing the different qualities and trade classifications generally adopted. Coal in particular is shown in numerous varieties accompanied by all its valu-

able by-products such as aniline and its derivatives, disinfectants, medicinal products, perfumes, etc., just as they are produced today by distillation from coal tar, which a few years ago was thrown away as valueless. One can understand the value of these and similar collections, which occupy more than 100,000 square feet of surface, from the point of view of educating the crowds of people who visit the Museum. For several years an attempt has been made to group collections of the manufactured products of the United States in cases of uniform size, each occupied by the products of a single manufacturer. This in itself forms a vast exhibit of samples of "made in America goods" which the foreign purchaser can rapidly and easily examine.

The commercial and economic library is open free to the public, just as is the case with the Museum. It contains about 45,000 volumes and 80,000 brochures. It also receives an immense number of scientific, commercial and geographical periodicals. The two features which make this library unique in its service to the public, as compared with that of other libraries, are its commercial statistics and foreign directories. It has gathered together the most complete collection of trade statistics to be found in any library in the United States. The foreign trade bureau is a powerful organization which the library places at the disposal of all the manufacturers and exporters of the United States, and it is marvellously equipped for supplying the kind of information they need. A numerous and capable staff is busily engaged in sifting and filing all the data contained in the numberless official and unofficial publications received by this bureau and the library. American consuls, numerous foreign correspondents, chambers of commerce and other commercial associations all over the world send in continually reports and commercial information of all sorts. In the principal centres of the

world, the Museum maintains paid representatives whose task it is to make personal and continuous enquiries on the spot. The bureau has secured and has on file reports concerning the financial standing and business reputation of over half a million foreign importing firms. These reports increase continually because every mail received adds to them. This information is distributed at a fixed price to all who are interested. This department also gives valuable assistance in the collection of overdue accounts in foreign countries and in the settlement of controversies between exporters and importers. It is frequently selected as a suitable arbitrator by both parties in such disputes. A translation department deals with commercial information, correspondence, catalogues, etc., in all current languages.

The Foreign Trade Bureau issues two regular publications. One is "Commercial America", which appears every month in English and in Spanish. The other is the "Weekly Export Bulletin" which has an enormous circulation restricted to manufacturers and exporters of the United States. The bulletin notifies its subscribers of all business opportunities and orders from foreign countries communicated to the Bureau. It also keeps them posted as to the state of foreign markets, the adoption of new regulations affecting commercial relations with certain countries, and the sailings of vessels from all American ports. "Commercial America" aims specially at informing foreign buyers as to industrial affairs in the United States.

The exhibits of the Museum, as we have stated, were originally designed to help business men. They are doing more than this today, because they form, as it were, the foundation on which have been built up extensive courses of instruction aiming at the training of a new generation of better-equipped men of business. The various methods

employed for this purpose may be summarized as follows : 1.—Classes from the schools of Philadelphia and vicinity, accompanied by their teachers, visit the Museum daily, and under the direction of competent guides gather information on some industry or other or on the geography of some foreign country, ending up with a lecture. Such lectures are of a simple character, arranged in such a way and delivered in such a style as will best suit the age and scholastic standing of the audiences. They are always illustrated by coloured lantern slides or moving pictures [12]. 2.—The Museum prepares and supplies free of charge to all the schools of Pennsylvania collections of the principal industrial products of the world. These collections are clearly labelled, classified and placed in the various drawers of a small cabinet of beautiful appearance. They are accompanied by appropriate photos, maps and diagrams. These "miniature museums" render invaluable service to instructors in all the schools, but especially to those distant from large cities and who, in consequence, have no other means of showing to their pupils the products discussed in their teaching of geography and other subjects in which the manufacture and distribution of goods are explained. Many thousands of these small collections—each of them containing several hundred specimens—have been placed in the schools of Pennsylvania throughout the State. 3.—The Museum also lends to all the public schools of the State sets of coloured lantern slides accompanied by type-

[12] For several years the museum of the School of Higher Commercial Studies at Montreal has also tried in a similar way to attract regularly pupils of the upper classes of the schools in the City of Montreal with their instructors. It is to be hoped that this initiative will gradually find among the more far-seeing members of the teaching staff in the primary schools the encouragement merited by its disinterested motives and the important results which such practical lessons will not fail to give. Perhaps also other large cities in Canada will not delay in establishing commercial and industrial museums.

written lectures on the various subjects. These lectures are on exactly the same lines as those given in the museum itself to pupils residing in Philadelphia. Lanterns as well as slides are lent by the Museum, which sends with the lantern a lamp using electric current, acetylene gas or high-grade kerosene. In this way every school in the State can avail itself of these privileges. For several years the Museum furnished educational films under similar conditions. Here, everyone will surely admit, is an organization of inestimable value whose work in the development of foreign trade merits special attention [13].

(*b*) *England.*

England also possesses an excellent organization for the collection and distribution of commercial intelligence. The efforts of the British government to help the exporter to secure abundant, rapid and precise information regarding foreign markets extend over half a century. Some years ago the Department of Overseas Trade was organized for this purpose. This department is directed by officials of the Foreign Office and of the Board of Trade and enables the Government to supply manufacturers and exporters with reliable information regarding all the important markets of the world. It facilitates in various ways access to these markets and protects British interests there. By keeping in close touch with exporters and their large associations, it can gauge accurately their sentiments and

[13] The New York Commercial on Aug. 18, 1926, announced that Mr. Julius Rosenwald, a Chicago millionaire, planned to create in that city a large commercial and industrial museum at a cost of $20,000,000. His first investment for this purpose was $3,000,000. What an excellent example of the importance which ought to be attached to this useful method of instruction and propaganda, especially as it comes from a man who has devoted all his life to business ! Better than any other testimony it bears witness to the advantages of such undertakings.

requirements and can direct the efforts of its agents in foreign countries towards desirable ways of making their activities as efficient as possible. In 1917 this department was thoroughly reorganized and the obvious satisfaction with which the traders of Great Britain greeted the improvements made and the numerous tokens of encouragement they have lavished on its efforts ever since are genuine proofs of the advantages they have gained by its creation. We have already seen [14] how this Department came to the assistance of British exporters at a time of world crisis by the granting of export credits. Its effective work in this field alone would amply justify its existence, but its activities by no means end there. In a similar way to the United States organizations described above, the Department of Overseas Trade is the counsellor and guide of all exporters and manufacturers who apply to it for information concerning foreign markets where British goods can be sold. As is the case with all organizations of the kind, the Department is served by an efficient staff of representatives in all parts of the world who send in a constant supply of information to the head office and provide local assistance in the organization of British trade activities abroad. These representatives in foreign countries must faithfully and promptly inform the central office in London of all such matters as contracts open to tender, overseas demands for particular goods, etc., and they also send in lists of importers established in the districts assigned to them as well as of suitable agents for British manufacturers and merchants. They supply all necessary details as to the best methods of marketing and distribution, credit conditions, terms of payment and the nature of competition, indicating if possible the best ways of meeting it. They compile statistics of imports and exports and procure for

[14] See Chapter VI.

the department all the information available as to customs tariffs, consular invoices, regulations for commercial travellers, registration of trade marks, shipping and transport, etc. Finally they must inform the Department of all sources of raw materials and of goods not manufactured in the United Kingdom [15]. All these particulars are carefully studied and classified, and then distributed through the London office to all interested persons either by means of the publications of the Department (the Board of Trade Journal, annual reports, and so on), through the British press generally, or confidentially in reply to separate inquiries received. Those who desire to receive confidential information which it is deemed inadvisable to make public, may do so by means of the special register [16]. The Department of Overseas Trade also assists exporters by organizing national trade fairs which attract every year a large number of foreign buyers, and by arranging exhibitions of products of other competing countries so as to enable British manufacturers to study the possibility of manufacturing similar articles.

The governing principle of the head office organization is that of co-operation between officials who have special and, if possible, personal knowledge of particular markets, and officials who have experience in particular industries. Accordingly the Department in all matters connected with

[15] This enumeration shows in how complete a manner this department plans to obtain its information. It is taken along with other details on governmental export organization from an official brochure of the British Government entitled, the *Department of Overseas Trade* and answers the question, *How does the department help the individual trader?*

[16] The special register is a list of names of all manufacturers who have made application to the department and have paid the annual fees. All firms entered on the register are grouped and classified according both to the nature of the goods and the markets in which they are interested. They receive without delay all information of a confidential nature that reaches the department.

the collection and distribution of commercial intelligence, acts through the medium of geographical and trade sections. Each geographical section deals primarily with correspondence from its territory, and especially with the correspondence of commercial, diplomatic or consular officials or the trade commissioners and correspondents in that territory. Each trade section handles the correspondence with firms in Great Britain dealing in its particular line, and is responsible for the distribution of commercial information relating to that trade. An exhibition and fairs division is responsible for the organization of official British participation in exhibitions held in the United Kingdom and in international exhibitions abroad. It also organizes the British Industries Fair and exhibitions of foreign samples and catalogues, and is the medium for collecting and issuing information regarding commercial fairs and exhibitions of all kinds, both at home and abroad. A General Division controls the reference library, where British and foreign trade papers are filed. It also looks after those sections of the office where information on tariffs, statistics and transport is collated. An Economic and Editorial Section deals with the preparation and editing of special and annual reports on economic and trade questions, and also with banking matters.

To enable it to be of the greatest value to exporters, the Department has, since the War, considerably increased its overseas organization. Before 1914, the government organization abroad for assisting British trade consisted of four trade commissioners situated in various parts of the Empire, eight commercial attachés in foreign countries (with areas so large in most cases as to neutralize their effectiveness), and the Consular Service, which, owing to shortage of staff and the diversity of its duties could devote only a small portion of its energies to commercial

matters. During the time that has elapsed since its inception in 1917, the Department of Overseas Trade has been engaged in building up a much more comprehensive organization. Founded in response to the evident demand of business men for a business-like department which should, in a special sense be *their* department, it had to justify its existence to them in order to survive. The extent to which it has won their approbation is clearly indicated by the strong representations made to the government on their behalf for its continuance on existing lines, and also by the testimony of individual traders as to the value of the services it has rendered to them.

The Department controls the following services :

1.—*The Trade Commissioner and Imperial Trade Correspondent Services in the Empire*, which extend over the whole Empire and include oversight of 13 Trade Commissioners established in Canada, Australia, New Zealand, South Africa, Newfoundland, India, Ceylon, East Africa and the British West Indies. The Trade Commissioners have the assistance of Imperial Trade Correspondents at a few of the most important centres, and the Department also has the services of correspondents in parts of the Empire in which at present there are no Trade Commissioners.

2.—*The Commercial Diplomatic Service*, which forms part of the British diplomatic missions in foreign countries, and replaces the handful of pre-war commercial attachés. There are 28 posts in all, and the officials of the service are stationed in all the more important foreign markets of the world. The members of the Commercial Diplomatic Service are styled "commercial counsellors" in the highest grade, and "commercial secretaries" in the three lower grades. They are members of the staff of the British Embassy or legation in which they serve, and rank with the

diplomatic officials of corresponding grades, with whom they co-operate as closely as possible in any matter which has a political as well as a commercial side. This is an important point to keep in mind, because although the commercial diplomatic official is primarily concerned with commercial questions, he is able, by virtue of his position as a member of the staff of an embassy or legation to assist the Ambassador or Minister when political action has to be taken. The work of these officials is, therefore, of great importance, the counsellors being in reality the economic advisers of the Crown. The part they play in defending British commercial interests abroad is consequently a substantial one, and differs considerably from that of the trade commissioners. The latter are best described as the advisers of manufacturers and merchants, and their influence rarely goes outside that sphere.

3.—*The British Consular Service in foreign countries*, which, since 1919, has been placed under the control of the Department of Overseas Trade. Consular officials report directly to the Department, and are also, with regard to the commercial side of their work, under the general supervision of the commercial diplomatic official for the area in which their district lies. This arrangement ensures that special prominence is given to the commercial side of consular work, and by means of the co-operation of the two services, a complete network of government commercial representatives is thrown over foreign countries. In addition, the Consular Service is being reorganized and established on an improved footing, and every effort is being made to recruit for the service men who possess the necessary qualifications for the work required of them.

Finally, to keep the business men informed, the Overseas Trade Department, in addition to the Board of Trade Journal and its numerous circulars, issues every year

reports by commercial diplomatic officials, trade commissioners and consular officials on the commerce, economics and finance of the countries to which they are accredited. The aim of these reports is to give, not so much a detailed narrative of the events of a particular year, as a comprehensive picture of the commercial and economic situation at the time of writing, viewed in the light of past events, together with an estimate of the outlook for the near future. They are published as early as possible after the date on which they are written, so that the information contained in them may not lose value by delay. These reports usually include sections dealing with public and general finance ; trade, imports and exports, demand for British goods ; industry and production ; legislation and administration, especially as affecting trade and industry ; transport ; natural resources and social questions as affecting production and trade. With a view to assisting its representatives in foreign countries, the Department of Overseas Trade has compiled a large trade directory of all the British industries with full particulars concerning each of them. Since 1915 the Department has organized each year two trade fairs, one in London and the other at Birmingham. These fairs are national, and each displays exclusively a certain number of different industries. They attract every year an increasing number of foreign buyers.

This well-equipped official department, then, has for its purpose assistance to the exporter in gaining new markets for British industry or in protecting existing ones against the competition of other countries. It therefore maintains numerous useful relations with unofficial commercial associations and institutions devoted to the same end. Such are the Chambers of Commerce, Trade Associations, the Association of British Chambers of Commerce and the

Federation of British Industries. This last-named association in particular is very powerful. Created in 1916 in the midst of the war, it includes more than 20,000 British manufacturers whose total capital amounts to six billion pounds sterling and who employ more than 5,000,000 workers. The firms affiliated to this federation are divided into 18 principal groups, which in their turn are subdivided into 80 categories, and the number is to be increased as need arises. It will be readily seen that a federation of such importance is bound to acquire rapidly a position of first rank in the councils of the nation and in the commercial world. It is a consulting organization, which supplies information and defends British commercial interests in foreign countries. The government frequently resorts to it for advice. The federation, however, keeps itself apart from political quarrels and only consents to interfere in this field when disputed questions might have important effects on trade and industry. It has organized a bureau of general information with sections specializing in transportation, insurance and the study of questions relating to fuels. It attempts under all circumstances to improve the relations of various industries with one another, and to stimulate the idea of co-operation between the various groups. From the point of view of the exportation of British products, the federation plays an important rôle. It does not, however, act as a sort of export syndicate. It does not seek to limit in any way the activities of its members, nor does it act for them in a commercial sense. Because, however, it has representatives and offices in the principal business centres of foreign countries, it is in a position to supply gratuitously to all purchasers information about affiliated manufacturers and thus to form a valuable liaison service between them. In England this overseas service operates through six geographical sections;

British Empire, Northern European, Southern European, Near East, American, Far Eastern and Netherlands. These sections are, of course, concerned with commercial relations in these respective regions, but there is also a section for general administration.The heads of all these sections are experts whose advice and support are becoming more and more appreciated by English manufacturers. In the course of the past few years, some of these heads, accompanied by their principal assistants, have made tours of investigation in Austria, Hungary, Germany, Scandinavia, Italy, Czechoslovakia, Holland, France, and Canada. These contacts with purchasing countries have resulted in the gathering of really accurate information which British industry and trade are already turning to profit.

The publications of the Federation are : (1) a bi-monthly review called "British Industries", which keeps members informed as to its activities. A special number each year is devoted to export trade and penetrates into many foreign countries. (2) The "Fuel Economy Review" which appears quarterly. (3) The "Year Book and Register", an index of British manufacturers, which serves as a guide to foreign purchasers and is distributed in large numbers all over the world. The Federation also endeavours to encourage the participation of British industries in fairs and expositions abroad when this is deemed advisable. It is this organization which since 1923 has been responsible for the British section at the annual Toronto Exhibition. This section grows more and more important every year and has proved of considerable assistance in developing British trade with the Dominion.

(*e*) *France.*

Official services for commercial expansion have been completely reorganized in France since the War. They

have been centralized by the Department of Commerce under a single division which controls three bureaux. The functions of these bureaux are divided as follows : (1) The first is concerned with attachés and commercial agents and sees to recruiting for posts of that kind, the editing and sending out of general instructions, the organization of investigation tours and all questions raised in connection with personnel administration. (2) The second has under its direction the "Office National du Commerce Extérieur", the French commercial bureaux and French chambers of commerce in foreign countries, the advisers on foreign trade (conseillers du commerce extérieur), etc. It also organizes fairs and expositions. (3) The third section includes two divisions, of which the first is devoted to commercial expansion, and investigates and puts into operation the general machinery suitable for the development of French trade. The second, that of transportation, takes up with technical departments requests and complaints relating to industry and foreign trade from the point of view of transportation, whether by land, sea or air.

These departments exist for the purpose of supplying to traders reliable information as to possible markets, conditions of sale, delivery, payment, transportation, tariffs and customs regulations, import houses etc. They follow the activities of French merchants in all foreign fields, securing qualified agents and representatives for French firms, protecting their interests in foreign countries and sometimes even watching over the settlement of their disputes or the recovery of bad debts [17].

The "Office National du Commerce Extérieur", which was founded in 1898 with the support of the Paris Chamber of Commerce, was completely reorganized and modernized

[17] Supplement of January 26, 1924, *l'Illustration économique et financière.*

in 1919. It acts both as an office for centralization and for the dissemination of commercial information. It receives information regularly from all French commercial organizations in foreign countries as well as from consular officials. This information is constantly kept up to date, and at the time of receipt is investigated and handed on to geographical or other sections. It is then distributed either by letter to industrial or commercial associations or communicated to the press. The "Office National" is divided into three sections : (1) The geographical division, which includes two subdivisions, the first devoted to all countries using English and Spanish, the second to all other countries. (2) A commodity division, similar to those we have mentioned as existing in England and the United States, which operates by means of large sections devoted to export products, studying closely the trend of production, and investigating all possible markets. For these purposes it maintains constant communication with associations and important business houses. (3) Special subjects division, including customs and transportation departments, contracts and tenders, and a financial information department. In foreign countries, the commercial bureaux, the chambers of commerce, the consuls and commercial attachés all act as official agents of French commercial expansion.

In the French commercial bureaux (offices commerciaux) established in foreign countries since the War, there has been put into operation a commercial policy which is not only of a practical nature but is also carefully defined by law. It aims at establishing commercial relations between French producers and foreign purchasers and at encouraging in every way possible the sale of French goods. French commercial travellers and agents visiting the country for business purposes can obtain from these bureaux all sorts of detailed information relating to prospective customers,

and rooms are often placed at their disposal for receiving or exhibiting samples. Special exhibitions of samples and models imported from France are not infrequently arranged for, and foreign buyers are invited to examine them. The bureaux also supply traders and manufacturers with a list of qualified representatives ; they furnish information as to the solvency of clients, terms and conditions of payment which it is advisable to grant, and also settle disputes. Such bureaux exist at present at Zurich, London, Madrid, Bucharest, Rome, Amsterdam, Luxembourg, Alexandria, Constantinople, Beirut, and Salonica. Their correspondent in France is the head office of the "Office National du Commerce Extérieur", whose activities they extend in foreign countries and of which, in reality, they form the branches. These bureaux abroad are administered by means of committees of exporters, under the control of the commercial attaché.

The French Chambers of Commerce abroad exist for the special purpose of investigating and defending French interests in foreign countries. Some of them, in addition, have organized special departments of commercial intelligence. Their perfect knowledge of local markets enables them to furnish information of the greatest value not only to their own members but also to French merchants everywhere. There are over 50 of these French Chambers of Commerce scattered over the world.

French consuls are permanent officials. Commercial agents and commercial attachés are specialists appointed for a limited, though renewable period. They work in conjunction with the embassies, legations and consulates and act as their technical advisers. They have, nevertheless, an independent administrative existence, being constantly in touch with the Department of Commerce which appoints them with the approval of the Department of Foreign Affairs. They maintain close contact with the

various technical sections of these Departments, and also with commercial associations and individuals who apply to them directly. At the present time France possesses in foreign lands about 190 consuls and more than 600 consular agents. The latter receive no salary, and are appointed by the Consuls.

Consuls are chosen by competitive examination from candidates who possess the requisite university degrees. They are under the Department of Foreign Affairs, but in order to avoid delays in transit they are authorized to communicate special reports to the Department of Commerce as well as to that of Foreign Affairs. The more recent creation of commercial attachés has been responsible for the gradual falling into disuse of this custom, although it still exists. The attachés and commercial agents are above all things technical advisers, and the responsible heads of legations and embassies place more and more under their care the collection of commercial intelligence, reserving to themselves only the most important investigations. Even then they are glad to have from these technical advisers information (often of a valuable nature) which they could not secure by themselves. The commercial attaché must send to the head of the diplomatic mission a duplicate of his official correspondence in order that the latter may control and occasionally direct his activities. He must also communicate to the Department of Foreign Affairs any portions of this correspondence which may be of interest to it. These regulations, however, are only suitable when work of this kind is just beginning and will probably be greatly modified in the future. The fact is that these commercial attachés, by their various efforts in the field of collecting information, in the enquiries they make and the proceedings they undertake on behalf of French traders, render services of exceptional value. The French consular staff should feel

only too pleased that at a time when it was overloaded with a burden of widely differing functions, it received the aid of such a useful and devoted body of technical experts, selected among specialists thoroughly familiar with trade and well known in business circles. As a general rule the economic reports of consuls—if of an informative character—are sent to the Department of Commerce at the same time as to the Department of Foreign Affairs. This is especially the case in cities where there are no attachés or commercial agents, *e.g.*, Vancouver. As to other economic reports of a more general character and consequently a more political aspect, these are sent only to the Department of Foreign Affairs which sends them in whole or in part to administrations or associations which might be interested in them.

The attachés and commercial agents are the representatives of the Department of Commerce in foreign countries, and consequently the representatives of French trade and industry. French manufacturers and merchants obtain from these agents accurate information and sustained as well as enlightened support. France possesses forty three attachés or agents in foreign countries who are appointed for five years, but whose appointment is renewable. Nomination is made by decree on the proposal of the Minister of Commerce after consultation with the Minister of Foreign Affairs. The names are chosen from a list of eligibles submitted to him by a commission whose business it is to go into the merits and qualifications of candidates. This commission is composed of practically an equal number of traders, manufacturers, and representatives of the Departments of Commerce and of Foreign Affairs. It is very cautious in its selections, choosing men with an adequate technical training who understand the trade and industry of France and who, in addition, know the country to which they wish to be appointed, and the language spoken there.

The French have avoided the creation of a fixed body of officials in which changes can only be made by transfer and which might, in consequence, be cluttered up with incompetent agents or unsuccessful business men. This plan appears to have had excellent results, for in the space of a few years France has built up a staff of commercial attachés of genuine importance. The rôle of these attachés and commercial agents is to reduce the burden of work which falls on the consuls and also to neutralize the effects of their immobility. Their work differs in various countries according to the character of the interests they have to protect, which may be financial, industrial or commercial. They ought to be, writes Clerget [18], the educators of exporters and commercial travellers representing the home trade, and at the same time intelligence and liaison officers between French manufacturers and foreign customers. Their chief characteristic is mobility. Frequent trips through the districts to which they are allocated are alternated with prolonged sojourns in France. This policy places them in direct everyday connection with producers and keeps them fully informed of everything of interest to their calling.[19]

[18] *L'Organisation du Commerce Extérieur,* Mon Bureau, 15 June, 1921.

[19] From time to time lectures are given in France by some of these missionaries of French expansion. They come to France to establish direct contact with manufacturers and traders, and to stir up a much needed spirit of initiative. They point out suitable places for export and indicate errors to be avoided. What they can only roughly outline in these condensed lectures they explain in detail by means of private conversations with interested inquirers. The demonstrations which they give, the enlightened co-operation which they ensure, are more and more appreciated by the trade. Tenacious indifference remains nevertheless to be conquered. It is truly surprising to find it even in industrial and commercial regions. Traders and manufacturers alone must be held responsible if they fail to take into account the efforts of these departments for commercial expansion and especially of representatives in foreign countries to protect French interests and increase the amount of exports. *Pour notre expansion commerciale,* Le Temps, Paris, 19 May, 1924.

The great advantage of thus dividing French representation abroad into two sections is that the Ambassador [20] can reserve to himself questions of politics and diplomacy, leaving minor matters connected with commercial, fiscal, tariff and similar disputes to a technical expert who at the same time is directly under his control and with whom he can have daily conferences without wasting his time, energy or prestige [21]. The "Foreign Trade Counsellors" are chosen from among French manufacturers or merchants established either in France or in foreign countries. They must have already attained positions of considerable importance in the export and import business and be qualified therefore to assist in the development of foreign trade. They are in a sense the technical advisers of the "Office National" in collaboration with which their permanent central committee operates. The title of foreign trade counsellor was formerly a purely honorary one. Now, however, this branch of the service has been thoroughly reorganized and the appointments are made by a committee possessing every guarantee of impartiality and commercial competence. The method of selecting these advisers is therefore much more rigorous, and in consequence the results of their work are far more satisfactory.

As to the distribution of commercial intelligence obtained by the Paris office, it is effected as in other countries by means of various publications or advance copies which are sent either to interested manufacturers whose names are kept on file, or to district offices (agences régionales du commerce extérieur) located in various cities of France. The latter are 16 in number and pass on the

[20] This is the case in England, the United States, or in other countries which have at the same time ambassadors, consuls, and commercial attachés.

[21] *Nos attachés commerciaux*, Figaro, economic supplement, Paris, May 24, 1926.

information they receive to manufacturers in their districts either by direct correspondence or by communications to the press, especially the technical press. Since 1925 the "Office National" has established an important library which is open to the public. It contains numerous works of reference, encyclopedias, dictionaries, atlases, monographs on industries, and raw materials, books on foreign lands, etc., and also a wealth of current information in the form of reviews, journals and periodicals of all kinds. From 1883 up to the outbreak of war the Department of Commerce published a weekly review, the "Moniteur Officiel du Commerce". The editing of this review was placed in 1898 in the hands of the "Office National". Its publication was interrupted by the War, and its place taken by simple information leaflets appearing at irregular intervals, the "Dossiers Commerciaux" which contained extracts from reports of all the official agents of France in foreign countries. Since May, 1923, the "Office National" has issued twice a week the "Moniteur Officiel du Commerce et de l'Industrie". This periodical is a means of making public not only official regulations but also information of a practical character received from commercial attachés and consuls. It also publishes official information provided by the government departments of France which may be of direct interest to trade and industry [22].

Finally it is interesting to note that France has solved the difficult problem—in these days of high prices—of finding the necessary funds to support the "Office National du Commerce Extérieur", without unduly burdening the ordinary budget. These funds are obtained from the revenue of a special tax collected by the customs as a supple-

[22] The Department of Foreign Affairs has discontinued its economic bulletin since the creation of the *Moniteur officiel du Commerce et de l'industrie.*

ment to the statistics tax[23]. This supplementary tax was imposed for the specific purpose of endowing organizations for commercial expansion. It is paid by exporters, that is to say, by those directly interested in the creation and maintenance of such organizations. This is a point which might well be studied in Canada by those who protest against the expense incurred by the commercial intelligence bureau working under the Department of Commerce. Such critics often urge its suppression or reduction. Instead of taking extreme measures of that kind, we should rather aim at developing this bureau as being the most valuable aid our exporters possess, finding, if necessary, new resources for meeting its expenses. France provides us with an excellent example in this matter. As is well known, the Americans also by means of taxes on consular invoices, etc., build up enormous revenues which are entirely devoted to the development of their departments of commercial intelligence.

There is also in Paris an important unofficial organization, the "Association Nationale d'Expansion Economique" which does excellent work. It has for its objective, according to its charter, the investigation and execution of all plans which might contribute to the economic expansion of France on the markets of the world. It makes investigations and groups together—without interfering with their autonomy—associations and individuals engaged in trade, industry and agriculture, with a view to uniting their efforts and co-ordinating their activities. The publications of the "Association Nationale" are most interesting and practical. Its "Enquête sur la production française et la concurrence étrangère" is a work of infor-

[23] The "Statistics tax" is levied on all merchandise imported from foreign countries or the colonies, or exported to such places. It is paid to the customs authorities at the time of declaration.

mation of great interest in no less than six large volumes. It has also issued a "Guide du vendeur français à l'étranger" which contains a mine of information on all the important markets of the world and considerably facilitates the work of representatives of French houses in foreign countries. It publishes monthly a review called "l'Expansion Economique".

These various economic institutions in France, though less powerful than those of England and the United States, are nevertheless very satisfactory. They are being continually improved and the help they give to French traders and manufacturers in obtaining new markets becomes in consequence increasingly efficient.

(*d*) *Belgium.*

An exporting country by necessity, Belgium has for a long time been interested in obtaining for her exporters and manufacturers all the assistance they need, especially in the matter of placing at their disposal accurate and useful information concerning foreign countries. Up to the War, consuls were the only Belgian officials abroad who did work of this kind. Since that time, however, commercial attachés have been appointed in certain countries. The Belgian consular service includes professional consuls to the number of 85, and over 500 honorary consuls (consuls honoraires ou marchands). The first-named look after the general interests of Belgium in foreign countries and play an important part as advisers to the home government on commercial matters. The latter bear a purely honorary title ; they receive no salary and in trade matters play a minor part.

The consular staff is under the control of the Department of Foreign Affairs. The division of foreign trade in this Department acts as a clearing office which investigates

the reports of consuls, and abstracts from them useful information which it passes on to manufacturers and traders. This division is arranged in five geographical sections : Europe (Northern, Central and Eastern), Asia and America. The professional consular staff, which consists of officials carefully selected by competitive examination from among university graduates who have specialized in economics, law and commercial subjects, acts as a highly important and efficient body in all matters affecting the commercial expansion of Belgium.

For some years the Belgian government has detailed five consuls-general to its diplomatic missions in Berlin, Constantinople, Stockholm, The Hague and Tokio. They bear the title of commercial attachés and carry out on their own responsibility the duties assigned to them by the Department of Foreign Affairs. They work in conjunction with the head of the diplomatic mission, particularly in economic matters, with a view to the preparation of plans and negotiations of an economic nature within its jurisdiction. On all matters within their own domain they correspond directly with the Department of Foreign Affairs. They act, then, as commercial advisers of high rank, and can best be compared to the English commercial counsellors mentioned above. The name "commercial attaché" which Belgium has given them is rather confusing, because their work is of a higher order than that of the trade commissioners of Anglo-Saxon countries or the commercial attachés of France. They are, in fact, much more concerned with the commercial interests of Belgium as a whole in the foreign countries where they reside, than with those of individual traders or manufacturers. In many cases and for several years the latter have been in the habit of applying directly to the consuls for any assistance or information they need. The Belgian consuls, by reason of

their training, are in an exceptionally favourable position to find solutions to the various economic and commercial problems which are constantly being submitted to them. This work has, in fact, long been considered the most important of all consular duties. The government endeavours in every way possible to educate its future consuls in practical matters of a commercial kind. It is interesting to note here a recent attempt in this field. A certain number of vice-consuls in training are employed for a time in the large manufacturing, commercial and banking establishments of Belgium. They are then sent abroad. Their previous experience in Belgium has as its object the fostering of closer and more efficient relations between business men in the home country and the diplomatic and consular staff. This method of training the latter enables its members to study at first hand all the machinery, as it were, of those large undertakings whose interests they are destined to protect abroad. They take up their posts in foreign lands with a first-hand knowledge of many pressing problems. This is a splendid scheme and one which might well be adopted in Canada. In this way the Dominion would equip itself with highly competent trade commissioners.

The consuls give immediate attention to all requests for commercial information sent them by Belgian exporters and help them in every way possible, putting them in touch with foreign correspondents and suitable agents, obtaining orders and settling bad debts and disputes. But besides all this, they make personal enquiries on the spot with a view to the drawing up of official economic reports which they send in regularly to the Department of Foreign Affairs. This department submits these reports without delay to the principal banks, to the "Comité Central Industriel", and to all organizations likely to be interested. The reports

are published in the form of monographs issued by the government through its "Office Commercial de l'Etat", and are given wide distribution. The "Office Commercial de l'Etat" (formerly the commercial museum) is partly under the jurisdiction of the Department of Foreign Affairs and partly under that of the Department of Railways, Marine, Post Office and Telegraph. It is therefore an official organization, the headquarters for commercial intelligence in Belgium. It was created in 1882, but since the War has been thoroughly reorganized. The activities of the "Office" are divided between the department of investigation, which searches all over the world for all sorts of information likely to be useful to business men, and the department for distributing commercial intelligence which furnishes on demand from day to day to all who are interested the details received which bear upon the economic development of the country.

The "Office Commercial de l'Etat" is directed—1st, to keep other countries fully informed regarding Belgian industry ; 2nd, to supply interested persons in Belgium with particulars concerning :

(*a*) Markets in foreign countries for their products ;

(*b*) Possible sources of supply in foreign countries for the raw materials essential to Belgian industries and of foreign food products and articles not manufactured in Belgium or which she produces only in quantities insufficient for the needs of the home market ;

(*c*) The customs tariffs of Belgium and of other countries ;

(*d*) Freight and other matters connected with transport ;

(*e*) Contracts open to tender both at home and abroad.

In its reading room can be found all the principal commercial and economic journals of the world ; technical works of the best modern type ; indexes (bottins) of Europe and most overseas countries, price lists referring to foreign markets, etc. The "Office" publishes a weekly paper called the "Bulletin Commercial" which has a monthly economic supplement and a half-yearly survey of the general economic situation of Belgium ("Aperçu semestriel de la situation économique de la Belgique") [24].

As in France, the Belgian government sends each year to foreign countries a certain number of scholarship holders [25] who carry out commercial investigations in the foreign field and make regular reports as to the result of their researches and activities.

Finally, with a view to assisting Belgian manufacturers and to co-ordinate their efforts, the government in 1922 called together at Brussels the "Congrès National de l'Exportation", which examined all the principal problems affecting the political, industrial and commercial life of the country. The work of this convention is continued by the "Comité permanent de l'Exportation". This committee is presided over by a member of parliament and consists of representatives of industry, trade, finance, transportation and labour associations from all parts of the country. It discusses all questions of principle relating to export matters and acts as adviser to the government. In the practical field it encourages the formation of ententes and even of cartels in industry and trade, and in this way has brought about combined action by Belgian shipowners and manufacturers. It was also responsible for the creation of a "Comité du contrôle des exportations de ciment", a cartel of Belgian cement manufacturers.

[24] *Annuaire diplomatique et consulaire.* (Brussels, 1925.)

[25] These scholarships are reserved to university graduates in commerce.

At the beginning of 1925, the government formed the "Commission Nationale de la Production Industielle", which has for its object the investigation of suitable methods for the improvement and expansion of national industries. This commission is presided over by a Minister of State, and is divided into three sections—industry, trade and exports, and credit. It includes all the important individuals in the industrial, commercial, financial and intellectual life of the country.

There is also in Belgium an industrial federation similar to that which exists in England. This is the "Comité Central industriel de Belgique", which groups the majority of Belgian manufacturers under eighteen categories. Established in 1895 for the protection and development of Belgian industry generally, at home as well as abroad, the "Comité" has built up a close liaison between Belgian industrial production and its methodical export to foreign countries. It devotes its efforts chiefly to the solution on practical lines of economic problems affecting production—industrial, trade, customs, fiscal legislation, transportation, standardization [26], social [27] and labour problems. It is therefore regarded as possessing considerable authority and influence, and the government frequently solicits its advice and co-operation. The committee is represented

[26] The "Association Belge de Standardisation" occupies itself with this question. This association was formed in April, 1919, as subordinate to the "Comité central industriel", from important industrial groups and the six principal associations of engineers. When the problem of standardization of certain products interests a public administration, the latter is asked to send one or more officials as representatives. The "Association Belge de Standardisation" has published a score of works bearing on the following subjects : regulations on the construction of bridges and other structures, metallic tanks, transmission shafts and pulleys, bolts and rivets, metallic cables and so on. The Belgian association has connections with similar organizations in other countries.

[27] The eight hour day, compulsory insurance for workers, arbitration of strikes and so on.

on all the official commissions, international and national, where the interests of Belgian industry are at stake. It is, however, a private organization supported only by the contributions received from affiliated associations. These fees are levied in proportion to the number of workers employed in each branch of industry. This ensures its absolute independence and gives more weight to its counsels.

The "Comité" supports both materially and otherwise all the economic activities which contribute to the prosperity of Belgian industry and concerns itself especially with the expansion of foreign trade. Without taking any direct interest in business transactions, it attempts to encourage in a practical way Belgian industrial development in foreign countries. A commercial department deals with foreign firms which ask to become representatives of Belgian factories, and with those in need of certain products ; it also points out to Belgian producers suitable markets abroad. By its weekly Bulletin, and also by means of confidential communications, advice to affiliated associations, and by information sent to interested firms the committee keeps its members in constant touch with the situation on foreign markets. It also carries on in foreign countries an active and methodical publicity campaign in favour of the export of Belgian manufactures. It does this by preparing and distributing lists of producers, by issuing industrial monographs, commercial reviews, etc. Its review "Exportation" is published in several languages. It makes investigations, sends economic missions abroad, and encourages Belgian participation in international expositions and fairs. It is represented in foreign countries by delegates scattered all over the world, whose mission is to investigate on the spot the possibility of extending the markets for Belgian products or the purchase of raw materials.

(*e*) *Germany.*

We shall not dwell at length on the assistance received by German exporters from their government. Even before the War several authors [28] discussed the subject, recognizing it as one of the principal reasons for the great progress made by Germany in securing foreign markets. Before 1914, indeed, the Germans were on the verge of conquering the world peacefully. The War has changed all that, and the armistice found Germany with her industry intact but her markets gone. After endeavouring to restore order at home, she is now attempting, despite the occupation of part of her territory by the Allied armies, to recover gradually the foreign markets lost since 1914. She appears to have been very successful. Her export trade, which in 1913 amounted to 11,206,000,000 marks, representing about 73,000,000 metric tons of goods, reached in 1925 the high figure of 12,428,000,000 gold marks, representing about 52,000,000 tons of goods. In 1927 German exports reached a total of 10,218,000,000 marks, which if converted on the basis of 1913 prices, would amount roughly to 75% of her pre-war exports. In several countries—notably Sweden, Holland, Denmark, Finland, Japan, the British and Dutch Indies, and South America—exports from Germany have already reached their pre-war totals, and in other countries she is actively attempting to regain lost ground [29].

Those who have visited Germany and come into contact with this nation of disciplined workers are well aware that the Germans are not only excellent producers but also exporters of the highest order. Such faculties are rarely found combined in the case of other nations. German

[28] See bibliography.

[29] *Germany recovering its foreign markets.* U.S. Commerce Reports, Washington, May 24, 1926. See also *Le Contrôle du Commerce Extérieur Allemand* in "Chimie et Industrie", Paris, June, 1922.

traders are, in general, very well educated. They can speak foreign languages. Most of them have travelled extensively and are therefore thoroughly acquainted with the customs and methods of work in other countries. For a long time they have realized that the exporter must conform to the demands of his customers, and they try to do this in every possible way. Strongly supported by their banks and commercial intelligence bureaux, unofficial as well as official, the Germans have succeeded in placing their goods in all parts of the world. In many places they have succeeded in ousting competitors who for sentimental or other reasons believed themselves solidly entrenched. With the passing of the deflation crisis they have restored the co-operation of the State, which in pre-war days never failed them and whose assistance enabled them to spread their commercial influence all over the globe.

Ever since the war of 1870 the Imperial government and the departments of commerce in the various German states had made vigorous efforts to assist German trade. The creation of an important consular staff as well as of numerous chambers of commerce and industry, the support given to German associations in foreign countries, the unceasing encouragement given to the banks, institutions of higher commercial and industrial education, etc., are all means by which Germany has ever supported the individual efforts of her exporters. The consular staff is numerous and its officials are well paid. It extends its ramifications into all countries. Its functions, besides the usual clerical work of the consulates, include the collection of commercial intelligence which is sent to the Department of Foreign Affairs to which it is responsible. In conjunction with the embassies and legations, work the commercial attachés (handelsrath) in a similar way to those of France and other countries. A special department (Zweigstelle des

Auswärtigen Amtes für Aussenhandel) sends the details received either directly to the manufacturers concerned, to chambers of commerce or to information bureaux for foreign trade (Reichsnachrichtenstelle für Aussenhandel) of which there are 25 distributed among the principal industrial and commercial centres of the country. These bureaux are established at the common expense of the government and the chambers of commerce. They form, along with the department of foreign trade, the advisers of traders and manufacturers in all matters connected with export business, communicating with them either directly or by means of their numerous publications. In the year 1926, Germany carried a budget for the Department of Foreign Affairs (which is in charge of commercial expansion in foreign countries) amounting to 58,670,000 gold marks, or 20% more than in 1925. Of this sum the public treasury supplied nearly 54 millions [30]. This is in itself sufficient proof that Germany has determined to make a vigorous forward movement in the matter of political and commercial relations with foreign countries, and this even by means of funds raised by taxation. With a view to the encouragement of foreign trade, the government has reduced the turnover tax from 1% to 0.75% for transactions of this character, and has abolished it altogether in the case of certain luxury products. The German railways grant a reduced rate on goods for export [31]. The government has recently authorized the grouping of important industries into associations so that they may meet more effectively competition from similar industries in foreign countries. As we have shown elsewhere, the government al-

[30] *How Germany goes after trade*, Industrial Canada, June, 1926.

[31] This measure also favours the traffic of German ports (Hamburg and Bremen) and might well serve as an example to Canada in regulating the difficulties met with in the ports of Halifax and St. John.

so participates in the guarantee of export credits and in other ways contributes towards the promotion of foreign trade. Thus it will be clearly seen that Germany has every intention of recovering markets lost during the War, and means to spare no efforts in this direction. It has already been pointed out that Germany has important and old-established commercial and industrial museums, as well as sample museums (Exportmusterlager). These are always kept well up to date. She possesses also important unofficial organizations which interest themselves in providing all the particulars which exporters need. In fact, long before the War she had organized a complete system for this purpose, so complete indeed that it made the gathering of such information a veritable science. Her "Exportvereine" by the careful investigation of markets and the accuracy of their work on behalf of exporters have rendered invaluable services to German trade. Certain semi-official institutions of a scientific character such as the "Weltwirtschaft Archives" maintained by the "Kolonial Institut" at Hamburg, and the "Institut" for maritime trade affiliated to the University of Kiel are extremely valuable establishments of this kind. At Berlin the German trans-oceanic department was formerly in constant touch with numerous German associations in foreign countries (Deutschtum in Ausland). The banks have also made important contributions of a similar kind. The "Deutsche Export Bank" of Berlin, the "Export Verein" of Dresden, and the "Bavarian Export Bureau" are long established and powerful commercial associations which have extended their influence all over the world. After grouping together German manufacturers, instructing, guiding and assisting them in every way, these associations go further because of the extraordinary combinations of credit which, as we have already mentioned, they offer to

exporters. Such credit facilities enable German exporters to give better conditions of payment to foreign purchasers than any of their competitors. The union of societies known as "Credit Reform", according to Hauser [32], "keeps constantly up-to-date a file of reports dealing with the solvency of business houses, and handles the collection of bad debts for its 70,000 members who are grouped into 370 societies. This union was established in 1881, and in 1911 had 300 branches and 320 representatives, scattered throughout the world."

The peak organization of all German industrial and commercial life is centred in the National German Industrial Association (Reichsverband der Deutschen Industrie). This organization, through its various member associations, has great influence in German business circles. The discipline maintained is all the more marvellous because membership is purely voluntary, and there are no legally binding agreements or penalties imposed on the individual members as in the case of many German syndicates, conventions and cartels. Its membership is held simply by the dictates of "self-interest." Much of the remarkable recovery which Germany has made since the end of the inflation period may be attributed to the co-operative action of these various economic associations, of which this is the most important [33]. The keenness of German competition everywhere has an important lesson for Canadian exporters. From a study of it they can learn what to expect when they enter new markets and become, in consequence, the business rivals of long-established and highly-skilled competitors. In pre-war days the assistance

[32] Henri Hauser, *Les méthodes allemandes d'expansion économique*. (Paris, 1920), p. 207.

[33] (Commerce Reports, U.S. Dept. of Commerce, Jan. 16, 1928, p. 128.) "Operations of National German Machinery Manufacturers' Association," by the Trade Commissioner at Berlin.

given by Germany to her exporters was substantial and well-organized. She is now busy recovering her lost markets by the application of similar methods. Even in 1915, M. S. Herzog—whom the Americans styled the "Bernhardi of trade"—outlined in a book which has been translated into French and English [34] the way in which this recovery could be accomplished. His plan is truly aggressive and forms an excellent example of German thoroughness and attention to detail, although English readers can hardly be expected to approve of the ruthlessness of his methods. At the same time he makes several practical suggestions which merit consideration. He recommends, amongst other things, the protection of certain "basic industries" in Germany, so that in times of stress other industries wholly or partially dependent on them may not be left unaided when commercial reprisals menace their prosperity. Such industries are, in Herzog's view, one of Germany's most important economic assets. They supply world markets with manufactured goods of which Germany either holds a monopoly or in the distribution of which she possesses undoubted commercial supremacy. These basic industries, therefore, are to be used in such a way that in return for their products Germany will never fail to obtain a supply of the raw materials she needs from other countries.

A close union is also to be maintained between science and industry in the home country. In particular, laboratories are to be set up in which not only are domestic inventions to be tested, but all foreign inventions and improvements in manufacturing technique are to be examined, understood, and utilized. In this way loss of time and

[34] S. Herzog, *Die Zukunft des deutschen Ausfuhrhandels, Stuttgart, 1915.* The American edition of this work, appearing in 1915, had a preface by Herbert Hoover.

money will be avoided in German factories, and they will be kept thoroughly up-to-date. Moreover, a definite policy is to be maintained by the Government in the matter of labour troubles, such as strikes and disputes. The State, argues Herzog, must never be afraid to show its strength or use its rights in the industrial domain, because individuals and associations should not be allowed to affect adversely a national policy which aims at keeping intact at all times and all costs the advantages gained by German trade in the markets of the world. Another prominent factor in the process of fostering German interests in the field of international trade is to be found in the recruiting of every German resident abroad for this purpose. Each of these has some opportunities at least of securing and passing on information which will assist in the expansion of German trade and influence, and this co-operation is confidently demanded of all. In doing his share, every German residing in foreign parts may count on the hearty encouragement and support of the whole of Germany's diplomatic staff and especially of her official commercial agents everywhere. Here, surely, is a suggestive example of "team work" on behalf of exportation, a policy which ought to appeal to Canadians, and one, therefore, which they ought to consider in all its bearings. Our own efforts, in comparison, will seem very unorganized and spasmodic. We have depended, up to now, almost entirely on individual effort in such matters ; but here is indicated a more excellent way to success.

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From the above details it will be evident to our readers that the principal exporting countries of the world have neglected nothing which will secure for their manufacturers and traders the opportunity of finding and holding new markets. It should be added that Italy, Holland, Den-

mark, Czechoslovakia, Switzerland, and Japan have all made similar efforts in recent years. If, then, in the commercial struggle which is being waged in the markets of the world we do not wish Canada to be out-distanced everywhere, if we desire to obtain for our ever-increasing industries outlets which they lack at present and which they badly need—if, in short, we want Canadian industry to live and prosper, similar steps must be taken without delay. What these steps are is clear ; it will be sufficient if we adapt to the needs of our own country the methods which for so many years have been tested elsewhere and found successful.

CHAPTER IX

CONCLUSION

IN the preceding pages we have endeavoured, while admitting that our export trade has made remarkable progress during recent years, to point out the gaps in our organization. These are evident when our present methods are compared with those of the powerful nations competing against us, who have spared no effort in making their organization for export purposes as complete as possible.

The bird's-eye view of our trade balance in 1928 provided in the second chapter of this book will have convinced the reader that the part played by manufactured products in our total export trade is not an impressive one. In order to put our foreign trade on a more stable footing and to avoid the fluctuations incidental to poor harvests, it is urgent that we should find new foreign markets for our manufactured goods. At the same time we shall be helping our existing industries to expand. We shall also be making way for the creation of new industries which will utilize our natural resources more fully. Moreover, by gaining customers in all parts of the world and extending our connections with foreign countries, we shall increase the stability of our foreign trade and ensure its protection from crises arising from local or other disturbances.

In this book we have voluntarily limited ourselves to the study of export trade. We have been unable, therefore, to deal with our industrial production or to analyze our natural resources. The latter, as everyone knows, are

vast ; and although even now we produce more than our limited population can consume, we are far from having fully developed our resources. Our present unutilized productive energies are large. On all sides, in the speeches of politicians and in the editorials of our newspapers and economic reviews, production is stressed and the importance of developing our manufactures is urged. This is all to the good. It is to be hoped that these legitimate aspirations may be realized. At the same time, it is strange that rarely is mention made of the necessity of finding markets for this constantly increasing production. This, however, is the great stumbling-block in the way of our economic development. It is not sufficient to produce. We have also to sell and sell abroad—because it will be long before the population of Canada will be sufficiently large to absorb the products which a more and more varied and powerful industry will place on the market.

What appears to be an easy way out of the difficulty is constantly being suggested by those who consider these questions only superficially, or whose personal interests are at stake—protection to the limit. By restricting the importation of foreign goods, they believe that Canadian products will be more easily sold in the home market. While it is quite true that certain industries stand to gain by such measures, it cannot be maintained that, all things considered, a high protective tariff would benefit Canada and Canadians at present—that is, if we consider all Canada and all classes of Canadians, as we ought to do. It is for the government to determine to what extent duties should be levied in order that production may be stimulated without adding to the price of goods to the consumer, or destroying export trade because of increased manufacturing costs. The statistics which we have cited above show clearly that, although Canada is a highly

important customer of the United States, we have not found in that country an equivalent market for our manufactured goods. At some time or other, perhaps, the Americans will consent—as other countries have done—by means of a treaty to lower certain of their import duties in favour of Canadian products. Meanwhile we must try to sell elsewhere the goods which this neighbouring market of 120,000,000 people refuses to purchase from us. The policy of treaties inaugurated by Sir Wilfrid Laurier and wisely continued by the King government [1], appears to be the best solution for most of our industrial difficulties. It enables us, without lowering our import duties generally, to grant advantages and privileges to those who grant similar advantages and privileges to us.

This, however, is not all. The best measures, governmental or otherwise, become dead letters if manufacturers neglect to give more consistent attention to export matters. With few exceptions, Canadian manufacturers know little about the demands of foreign markets, and the small minority who are interested in foreign trade have often bought their experience by means of long and costly experiments. The remedy, as we have seen, consists in the development of commercial education at all stages—primary, secondary and university—combined with long and patient study of goods and markets, commercial practice, foreign languages and other related subjects. This kind of training, completed by travel, will lead to the development of a more open mentality on the subject of foreign trade, and this sort of mentality is what we really need.

[1] Canada recently concluded trade treaties with France (1923), Belgium (1923), Italy (1924), Australia (1925), Finland (1925), British West Indies (1925), Holland (1925), Czechoslovakia (1926), Cuba (1927), Spain (1928).

It has been felt advisable to consider at length in the various chapters of this book the functions of banks specializing in export trade, export credits, the new systems of credit insurance developed in certain countries, and to show with what care all our competitors have organized their information bureaux and how large the institutions created elsewhere for this purpose have become. All this information will undoubtedly help those who are interested. It should demonstrate to them clearly the necessity of equipping ourselves on similar lines if we wish to take advantage of the business opportunities which are being constantly presented on all sides to enterprising and far-seeing exporters.

It is to be hoped that Canada will soon possess banking facilities, information bureaux, and other aids to exportation which foreign countries make use of. Improvements of this kind will help to place our exporters on an even footing with those of their competitors. Nothing should be neglected which might enable them to struggle persistently and with real chances of success in the markets of the world. Manufacturers must also adopt the most up-to-date methods in their factories with the constant objective of reducing cost prices and improving the quality of their goods. Modern sales methods and goods beyond reproach offered at a satisfactory price, will alone enable Canadian exporters to develop a profitable business in foreign countries.

With increasing markets nothing will prevent Canada—despite her small population—from developing much more rapidly than at present a whole chain of industries which will utilize the raw materials she possesses or others she may have to import but in the transformation of which electricity, which our abundant waterfalls can furnish at low cost, is essential. An honest, efficient, and sustained

advertising campaign abroad, carried on by both official and unofficial organizations, in favour of Canadian trade will do the rest.

Such methods, we are convinced, will not fail to bear fruit. We shall then see Canadian manufactured goods in every market of the world, taking their rightful place alongside those of competing countries. The whole Dominion will benefit thereby and its prosperity increase. Canadians will realize, as never before, that the fairest gauge of a nation's commercial welfare and progress is the extent of foreign trade.

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